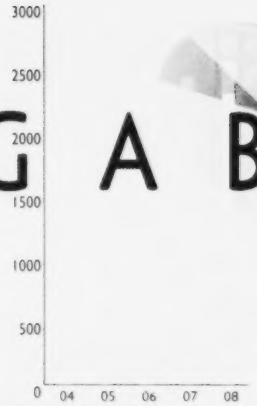
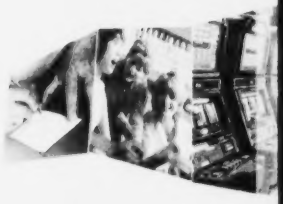
ANNUAL REPORT 2007/08

STRIKING A BALANCE





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Library and Archives Canada Cataloguing in Publication Data

BRITISH COLUMBIA LOTTERY CORPORATION

Annual report. - 1986-1989; 1989/1990 - Annual.

First issue has title:
First annual report.
Report year ends Mar. 31.
ISSN 0837-6859 = Annual report (British Columbia Lottery Corporation)

1. British Columbia Lottery Corporation - Periodicals.
2. Gambling industry - Government policy - British Columbia - Periodicals.
3. Gambling industry - British Columbia - Periodicals.
4. Lotteries - British Columbia - Periodicals.

I. Title. II. Title: First annual report.

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BRITISH COLUMBIA
The Best Place on Earth

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BRITISH COLUMBIA
The Best Place on Earth

LETTER OF TRANSMITTAL

HONOURABLE JOHN VAN DONGEN

MINISTER OF PUBLIC SAFETY AND SOLICITOR GENERAL

MINISTER RESPONSIBLE FOR GAMING

Dear Minister:

BCLC takes our commitment to provide responsible gaming entertainment seriously. Since 1985, we have generated income for programs that benefit all British Columbians, including health care, education, social, community, charitable and municipal purposes.

Fiscal 2007/08 represented a record year for BCLC with respect to financial performance, as new levels for both revenue and net income were established. Total gaming revenue of $2.6 billion exceeded budget by $64.2 million and resulted in a net income of $1,088.9 million.

BCLC distributed $1,080.4 million to our shareholder, the Government of British Columbia, to support vital public programs for the benefit of British Columbians, while $8.5 million was remitted to the Government of Canada.

BCLC's 2007/08 Annual Report was prepared under the Board's direction in accordance with the *Budget Transparency and Accountability Act*. The Board is accountable for the contents of the report, including what is contained in the report and how it has been reported.

The information presented has been prepared in accordance with the BC Reporting Principles and reflects the actual performance of BCLC for the 12 months ended March 31, 2008, in relation to the Service Plan 2007/08 – 2009/10. The measures presented are consistent with BCLC's mission, goals and objectives and focus on aspects critical to the organization's performance.

All significant decisions, events and identified risks, as of March 31, 2008, have been considered in preparing the report. The report contains estimates and interpretive information that represents the best judgement of management. Any significant changes in mandate direction, goals, strategies, measures or targets made since the Service Plan was released in February 2007 and any significant limitations in the reliability of data are identified in the report.

The Board is responsible for ensuring that management has developed and implemented appropriate internal controls to ensure that performance information is measured accurately and in a timely fashion.

On behalf of BCLC's Board of Directors, senior management and employees, it is my privilege to submit the Annual Report for the fiscal year ended March 31, 2008.

SINCE 1985, BCLC HAS GENERATED:

- $10 billion in net income distributed to the Government of British Columbia
- $10.2 billion in prizes won by lottery and bingo players
- $4.1 billion in commissions and service fees earned by lottery retailers and casino and bingo service provider companies

Respectfully submitted,

John McLernon
Chair, Board of Directors

Message from the Chair

JOHN MCLERNON
CHAIR, BOARD OF DIRECTORS

Fiscal 2007/08 represented one of the most challenging years in BCLC's 23-year history. While undergoing a review by the British Columbia Ombudsman and numerous audits, we continued to fulfill our mission of offering socially responsible gaming entertainment to generate income for the public good.

I am pleased to report that BCLC once again achieved significant revenue and net income results. Total gaming revenue of $2.6 billion surpassed the year's budget by $64.2 million, while net income of $1,088.9 million exceeded budget by $55.9 million. Strong revenue performance, operational cost savings and a shift to lower commission games resulted in BCLC exceeding the billion-dollar target in net income, with the distribution of $1,080.4 million to the Government of British Columbia.

Our direct costs of $1.2 billion were higher than budgeted by $16.1 million due mostly to increased service provider commissions. Conversely, total operating costs of $226.9 million were less than budgeted by $7.8 million. Cost savings in advertising, marketing, corporate communications and cost of premises, in addition to lower amortization, offset increased expenditures in salaries and benefits, professional fees and supplies.

As the gaming entertainment business has become increasingly competitive and complex, BCLC faces a number of risks: competition from neighbouring gaming jurisdictions, changing consumer needs and Internet gaming, rapidly evolving technology, a shortage of skilled labour and shifts in social attitudes.

The integrity and security of the games and products that we offer are paramount to maintaining and building public trust. BCLC continued to introduce practices that focus on the player, including the introduction of Player First, a program incorporating recommendations from the British Columbia Ombudsman report and other audits.

Our commitment to strengthen gaming integrity, while at the same time upholding our standard of excellent player service, required the dedication of considerable resources. Consequently, plans to develop new innovative games to support the lottery business were, for the most part, postponed and resulted in lower than targeted lottery revenue and net income for the year.

BCLC's strategic plan to upgrade and develop fewer, higher quality casino facilities that offer a more diverse entertainment experience continued with the addition of slot machines to Hastings Racecourse Casino, the opening of Starlight Casino and upgrades to Fraser Downs and Treasure Cove casinos.

The revitalization of commercial bingo gaming in British Columbia gained ground with the opening of seven Chances-branded community gaming centres. Host local government approval for additional centres was realized in four communities.

BCLC is strongly committed to maintaining a balance in offering gaming entertainment within a socially responsible framework. Our partnerships with Government, service providers and municipalities strengthen our ability to implement programs and services to raise awareness for and educate our players in responsible play practices.

Working collaboratively, we significantly increased the number of Responsible Play Information Centres to 21 from five. BCLC continued to implement our Voluntary Self-Exclusion and Appropriate Response Training programs, including lottery retailer and online training.

Supporting the communities where we live and work is one way that BCLC demonstrates our commitment to good corporate citizenship. We sponsored a number of festivals, sport and civic events, tournaments and fundraisers throughout the province.

The tenets of public and player trust, support and satisfaction are imperative to BCLC's continued success. Ongoing external research provides the basis for determining whether we have achieved targets related to public and player sentiment.

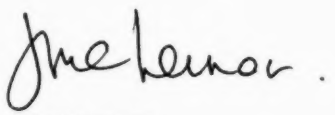
In the areas of player participation and satisfaction with BCLC games, services and gaming facilities, the ratings were below target and decreased from the previous fiscal year. With respect to public awareness for the beneficiaries of gaming, we were on target, while public recognition of our social responsibility exceeded the target. Despite player support for BCLC being slightly below target, player support for gaming was above target. However, employee engagement was lower than both target and the previous fiscal year.

In fiscal 2008/09, BCLC will focus on improving public trust and confidence in BCLC games through continued implementation of activities that enhance the integrity and security of our systems, including increasing staff in key departments: player relations, internal audit, security and legal. The development of a new human resources plan in fiscal 2008/09 will better align our human resources activities with our business needs.

During fiscal 2007/08, BCLC underwent significant changes in leadership. On June 8, 2007, BCLC's Board announced the appointment of Dana Hayden as Interim President and CEO. She successfully guided our leadership team through the integration of recommendations from the British Columbia Ombudsman and other audits. We acknowledge Ms. Hayden for bringing our employees and business partners together to execute timely and needed change.

In early March, the Board announced the appointment of a new President and CEO. After an extensive search across North America, the Board was confident that the right individual with the exceptional management experience needed to lead BCLC had been found. Michael Graydon joined BCLC on March 31, 2008, bringing with him more than 20 years of leadership experience.

We are confident that with his business acumen and guidance, BCLC will be better positioned to continue meeting our goals and improving our service to players.



John McLernon
Chair, Board of Directors

BOARD OF DIRECTORS

Chair

John McLernon	Vancouver – Appointed December 9, 2005

Vice-Chair

Arthur Willms	Vancouver – Appointed September 26, 2001

Directors

John Bell	West Vancouver – Resigned June 8, 2007
David Gillespie	Kamloops – Appointed March 31, 2005
D. Neil McDonnell	North Vancouver – Appointed April 23, 2002
Tazeem Nathoo	West Vancouver – Appointed July 26, 2002
Eric Sorensen	Kelowna – Resigned December 31, 2007
Kathy Stevenson	Kelowna – Appointed April 23, 2002
Walter Gray	Kelowna – Appointed November 22, 2007
Trudi Brown	Victoria – Appointed April 2, 2008
Michael Riley	Surrey – Appointed April 2, 2008

Message from the President and CEO

MICHAEL GRAYDON
PRESIDENT AND CEO

Although I joined BCLC late in the 2007/08 fiscal year and my tenure is short, I have assessed our organization and am delighted by what I have seen with respect to our potential for continued success.

BCLC has gone through a tough year, but demonstrated remarkable resiliency in our ability to adapt to and manage significant change. At the same time that many employees were focused on delivering results for more than 60 Player First projects, we remained committed to our primary objective: delivering great gaming products in a socially responsible manner. This resulted in a fiscal year where our total revenues and net income continued to grow, ultimately benefiting British Columbians.

The British Columbia Ombudsman released a report last year that triggered a substantial level of activity aimed at enhancing our lottery integrity. The Ombudsman challenged us to do better for our players and, in this regard, we have.

There is no question that BCLC is a better organization today than it was a year ago. Equipment enhancements, prize claim processes, security measures, retailer training and investment in new technology have all improved, and we are confident that our retail network is keeping the interests of our players at the forefront. We are also bringing this same sense of urgency to our other lines of business: casino and bingo gaming. We are investing in new security systems, adding a BCLC presence to community gaming centres, and experimenting with new surveillance technologies at our casinos.

BCLC is an entertainment business, and our record of success in the past 23 years has been the result of our ability to understand our players and bring products and facilities that entertain to life. As is the case with any consumer business, we live in a world that requires constant renewal and reinvention. Innovation continues to be a priority for BCLC not only in our products, but also in the way that we conduct our business.

Innovation is inherent in our responsible gambling efforts and the continued introduction of Responsible Play Information Centres to our casino and community gaming centre facilities. Innovation is leading the development of a new lottery self-serve kiosk that will soon be introduced in age-restricted facilities across British Columbia, replacing older technology and delivering a much higher level of customer service. And innovation is even central to new database management techniques for our Voluntary Self-Exclusion program.

Innovation also means a willingness to learn from others. Although Texas Hold'Em poker is widely recognized as one of the most popular games in North America, BCLC realized the opportunity presented by a game widely played in Asia and introduced Canada's first Mahjong Charity Open this year. We will continue to look for the very best practices in gaming operations management around the world and bring those to play here in British Columbia.

I am struck by the passion and dedication that characterizes our entire organization. That tells me that there is significant opportunity for even greater success. My challenge is to find ways that allow the potential of a committed and engaged employee group to be fully realized.

It is an exciting time to lead this organization. In our lottery retailers and service providers we have strong and committed business partners. In our employees we have a team that is dedicated and eager to contribute to our success. I look forward to reporting on our progress next year.

Michael Graydon
President and CEO

SENIOR EXECUTIVE

President and CEO

Michael Graydon	Appointed – March 31, 2008
Scott Norman	Interim – Appointed February 18, 2008
Dana Hayden	Interim – Appointed June 8, 2007
Vic Poleschuk	– Until June 1, 2007

Vice-Presidents

Debbie Toole	Human Resources
Kevin Gass	Corporate Communications and Marketing
Jim Lightbody	Lottery Gaming
Darryl Schiewe	Casino Gaming – Acting effective July 3, 2007
Scott Norman	Information Technology and Chief Information Officer
Doug Penrose	Finance and Corporate Services – Retired April 4, 2008
Tom Williamson	Finance and Corporate Services – Acting effective April 4, 2008
Marsha Walden	Bingo Gaming

BCLC MANDATE

Pursuant to amendments to the *Criminal Code* of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation was incorporated on October 25, 1984, and is continued under the *Gaming Control Act* (2002) of British Columbia.

Government has chosen to operate gaming through a Crown corporation not only to meet the requirements of the *Criminal Code* of Canada, but to carefully balance the objective of revenue generation with the objectives of social responsibility, and gaming security and integrity.

BCLC is the agent of Government mandated to conduct and manage lottery schemes within British Columbia.

BCLC, on behalf of the Government of British Columbia, has responsibilities to:

- Conduct, manage and operate lottery gaming, including the marketing of nationwide and regional lottery games in association with other provinces in Canada;
- Conduct, manage and operate casino gaming;
- Conduct, manage and operate commercial bingo gaming; and
- Conduct, manage and operate eGaming.

BCLC net income is distributed to Government for the benefit of the people and communities of British Columbia.

REGULATION AND AUTHORITY

BCLC operates within the strict statutory authority and regulatory guidelines of the *Criminal Code* of Canada and *Gaming Control Act*.

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

A Government-appointed Board of Directors guides BCLC in fulfilling its mandate. A key component of the governance framework is the Shareholder's Letter of Expectations (http://www.bclc.com/en/aboutbclc/corporategovernance.htm), the basis of a co-operative agreement between Government and BCLC on corporate mandate and core services, high-level performance expectations, public policy issues and strategic priorities. This Letter is also the basis for the development of BCLC's three-year Service Plan and Annual Report.

The Gaming Policy and Enforcement Branch (GPEB) of the Ministry of Public Safety and Solicitor General regulates all gaming in British Columbia, ensures the integrity of people and equipment involved in the gaming industry and investigates allegations of wrongdoing. GPEB's responsibilities include regulatory oversight of BCLC, all gaming service provider companies and gaming workers, licensed gaming events, and British Columbia's horse racing industry.

SCOPE OF OPERATIONS

BCLC officially opened April 1, 1985, and operated within a limited, traditional lottery market until a new gaming policy introduced in fiscal 1997/98 by the Government of British Columbia created new opportunities. BCLC was given responsibility to conduct and manage slot machines when they were introduced in the province in fiscal 1997/98, and the Corporation assumed responsibility for all casino gaming in 1998/99.

Further changes by Government resulted in BCLC assuming management responsibilities for commercial bingo halls in fiscal 2001/02. In fiscal 2004/05, the Corporation introduced a model for community gaming centres, which service local markets with a wide variety of bingo, lottery and slot machine entertainment options.

Internet play and purchase, a way to distribute lottery products online in a regulated environment, was introduced on PlayNow at bclc.com (http://playnow.bclc.com/) in fiscal 2004/05.

BCLC has two corporate offices, as well as gaming operations and retail locations throughout British Columbia. The head office is located in Kamloops, the centre for finance, administration and information technology. Sales and marketing functions are based in the Richmond office.

ECONOMIC BENEFITS

BCLC makes significant economic contributions to the Government of British Columbia, players, businesses and communities throughout the province.

In fiscal 2007/08, BCLC distributed $1,080.4 million to Government to support a variety of health care, education, social, charitable and municipal programs that benefit British Columbians every day.

Financial benefits included $647.1 million in prizes won by lottery and bingo players, $557.2 million in commissions and service fees paid to lottery, casino and bingo service provider partners, and over $137 million in the procurement of equipment, goods and services.

Within the gaming industry, there has been an investment of an estimated $1.1 billion in gaming facility developments pursuant to service provider contracts established and managed by BCLC.

BUSINESS PARTNERSHIPS

The vast majority of BCLC's product sales and operational services are contracted through private sector business service partners. Lottery, casino and bingo gaming networks include about 4,000 lottery retailers, 15 casinos, two racetrack gaming centres, 15 commercial bingo halls and 12 community gaming centres.

These valued partners play an important role in delivering high-quality, responsible gaming entertainment and a high level of customer service that contributes to player experiences.

B.C. LOTTOTECH

B.C. Lottotech International Inc. is a wholly owned subsidiary of BCLC and is included in the Corporation's consolidated financial statements. The primary purpose of B.C. Lottotech is to purchase capital assets for lease to BCLC.

The management and oversight of B.C. Lottotech is consolidated with BCLC operations and the Board of Directors reviews and approves capital purchases through the budget process.

EMPLOYMENT

Gaming in British Columbia has created significant employment opportunities, and it is expected that the need for labour will continue to increase over the next five years.

During fiscal 2007/08, BCLC had a workforce of 638 full-time equivalents, which included employees in the two offices and in field locations to support gaming operations throughout the province.

The gaming industry is responsible for the direct employment of an estimated 16,400 people and indirectly for more than 9,700 jobs.*

The numbers include direct employment in gaming operations, employment in gambling-related government and charity organizations, and employment in professions that service and support the gaming sector.*

**Source: Economic Impact of the Canadian Gaming Industry: Key Findings Report – HLT Advisory Inc. (April 2008)*

OUR VISION

To be a player-focused, publicly respected, performance-driven Corporation.

OUR MISSION

To offer responsible gaming entertainment, generating income for the public good.

OUR GOALS

To provide outstanding gaming entertainment, generating income for the public good.

To be a respected organization that has a broad base of public support.

To have a workforce passionately driving the success of our business.

OUR VALUES

Integrity

The games that we offer and the ways we conduct business are fair, honest and trustworthy.

We:

- conduct, manage and operate commercial gaming in accordance with the *Criminal Code* of Canada and *Gaming Control Act*.
- are open and transparent and fully accountable for our actions and decisions.
- operate on sound business principles and practices.
- publicly report on our plans and performance.
- are responsive to Government, our Minister, our players and British Columbians.

Social Responsibility

Everything we do is done with consideration of its impact on the people and communities of British Columbia.

We:

- consult with communities on the types and levels of gaming that are right for them.
- promote responsible play practices and the safe and healthy use of our gaming entertainment products.
- actively support Government's Problem Gambling Program and efforts to address problem gambling issues through public awareness, education, prevention and treatment programs.
- actively support Government's Problem Gambling Strategy by partnering with the B.C. Partnership for Responsible Gambling, local governments, gaming service providers and other government agencies to deliver gaming in British Columbia in a responsible way.
- actively support research to address youth gaming and work with the Partnership to develop strategies to implement young adult responsible gambling awareness and problem gambling prevention.
- adhere to Government's Responsible Gambling Standards for the BC Gambling Industry.
- are an active and founding partner in the Canadian Partnership for Responsible Gambling.
- distribute problem gambling information to help adults make informed choices about participating in gaming entertainment through the installation of Responsible Play Information Centres in gaming facilities.
- work with service providers and lottery retailers to deliver Appropriate Response Training (ART) to enhance the knowledge, awareness and attitudes of gaming industry personnel so they can respond appropriately to players.

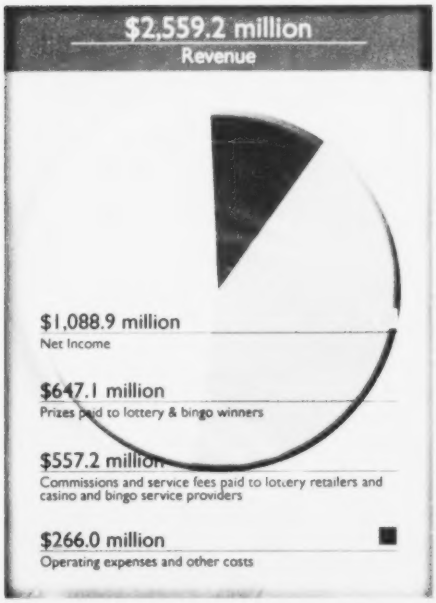
Respect

Our workplace fosters openness, mutual respect and individual development.

We:

- strive to be a great place to work.
- promote a fair, open, respectful and progressive workplace.
- support an innovative, high-performance culture.
- encourage employee development through continuous learning and professional growth.
- honour the contributions of individuals and teams through formal and informal recognition programs.
- provide a competitive compensation and benefits package.
- work to attract and retain talented leaders and experts.
- encourage work/life balance, including mind, body and spirit.

WHERE THE MONEY GOES



		Millions
Consolidated Revenue:	$	677.5
Health Special Account:	$	147.3
Charitable and community organizations:	$	146.1
Host local governments:	$	83.0
Horse racing purse enhancements:	$	5.7
Development Assistance Compensation:	$	18.8
Sportsfunder:		2.0
Government of British Columbia:	**$**	**1,080.4**
Government of Canada:	**$**	**8.5**
Net Income:	**$**	**1,088.9**

Offering fun, exciting gaming entertainment is only part of what we do at BCLC. Since 1985 we have generated income for vital public, charitable and public service programs that benefit British Columbians. We also offer players the chance to dream and sometimes the opportunity to turn those dreams into reality.

In fiscal 2007/08, BCLC generated $2.6 billion in revenue from lottery, casino and bingo gaming. From the revenue, prizes are paid to lottery and bingo winners. Revenue (net of prizes) generated from casino games, including slot machines and table games, is reported as net win. Prizes are paid to winners of casino games during game play. Revenue generated from slot games in community gaming centres is also reported as net win.

This contrasts with revenue generated by lottery, eGaming and bingo games. Revenue from these products is reported based on gross sales before prize payments have been deducted.

Commissions and service fees are paid to our private sector lottery retailers and casino and bingo service providers. Operating expenses and lottery, casino and community gaming supplies and leases are paid, and we remit the Goods and Services Tax.

Our net income is derived from the money remaining after expenses are paid. Through a long-standing agreement with the provinces on the withdrawal of the federal government from lotteries, the Government of Canada receives a portion of net income while the remainder is distributed to the Government of British Columbia. In fiscal 2007/08, BCLC net income totalled $1,088.9 million, resulting in the distribution of $1,080.4 million to the Government of British Columbia.

Government dedicates the largest portion of BCLC net income to consolidated revenue and a further portion to the Health Special Account for public service programs. In fiscal 2007/08, consolidated revenue received $677.5 million.

The Health Special Account is administered by the Ministry of Health. This account received $147.3 million. Money may be paid out of the account for the administration, operation and delivery of health care, health research, health promotion and health education services.

The proceeds of gaming net income reached some 6,850 community and charitable organizations across British Columbia through Government community gaming grants in fiscal 2007/08. These community and charitable groups deliver valuable services to their communities.

Eligibility for community gaming grants requires organizations to be non-profit and driven by volunteers, and funds must be used for the direct delivery of programs that benefit the local community.

Government distributed $146.1 million in BCLC net income to community and charitable organizations through Direct Access and Bingo Affiliation grant programs in fiscal 2007/08. Gaming Policy and Enforcement Branch (GPEB) administers the distribution of these grants.

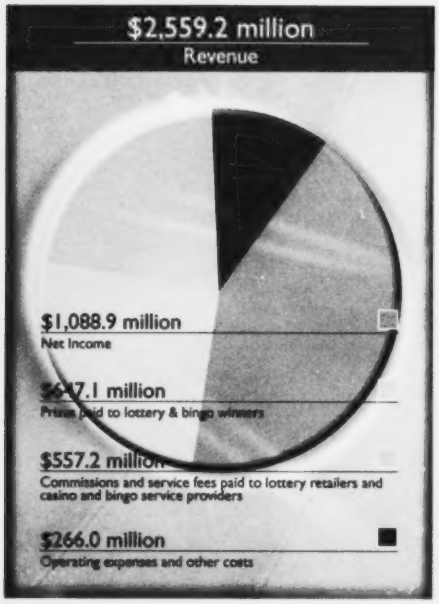
The Direct Access program provides funding to eligible organizations based on approved programs in one of five categories: Arts, culture and sport; the environment; human and social services; public safety; and parent advisory councils and district parent advisory councils.

Bingo Affiliation grants provide organizations with funding to support the delivery of programs that benefit the broader community in exchange for volunteer activities in a bingo hall and the community. Commercial bingo halls in British Columbia are represented by an association comprising all non-profit organizations affiliated with that hall.

School Parent Advisory Councils can apply for grants to support programs that benefit students by enhancing extracurricular opportunities.

District Parent Advisory Councils, comprising representatives from advisory councils within a district, can also apply for annual grants to foster relationships and enhance communication between schools, parents, students and the community.

WHERE THE MONEY GOES



WHERE THE MONEY GOES

	Millions
Consolidated Revenue:	$ 677.5
Health Special Account:	$ 147.3
Charitable and community organizations:	$ 146.1
Host local governments:	$ 83.0
Horse racing purse enhancements:	$ 5.7
Development Assistance Compensation:	$ 18.8
SportsFunder:	2.0
Government of British Columbia:	**$ 1,080.4**
Government of Canada:	**$ 8.5**
Net Income:	**$ 1,088.9**

Offering fun, exciting gaming entertainment is only part of what we do at BCLC. Since 1985, we have generated income for vital public, charitable and public service programs that benefit British Columbians. We also offer players the chance to dream and sometimes the opportunity to turn those dreams into reality.

WHERE DOES THE MONEY GO?

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CONSOLIDATED REVENUE

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COMMUNITY GAMING GRANTS

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DIRECT ACCESS

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BINGO AFFILIATION

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PARENT ADVISORY COUNCILS

School Parent Advisory Councils can apply for grants to support programs that benefit students by enhancing extracurricular opportunities.

District Parent Advisory Councils, comprising representatives from advisory councils within a district, can also apply for annual grants to foster relationships and enhance communication between schools, parents, students and the community.

MAJOR CAPITAL PROJECTS

Non-profit organizations can apply for funding to assist with major capital projects that are essential to an organization's specific purpose.

HOST LOCAL GOVERNMENTS

Communities where a casino or community gaming centre is located receive a share of BCLC net income generated by that facility through host local government payments. In fiscal 2007/08, Government distributed $83.0 million in host local government payments to 25 communities throughout the province.

Local governments can allocate funds for any purpose, within their legal authority, that will benefit their community. In the past, funds have been used for a number of projects and initiatives such as grants for non-profit organizations, policing, sports fields, road improvements, seniors' facilities and heritage programs.

In accordance with the Host Financial Assistance Agreements between Government and individual host local governments where a casino or community gaming centre is located, the host local government receives a 10% share of the net income generated from casino games.

One exception to the 10% share is the distribution of one-sixth share of net income generated from the Casino of the Rockies to the Ktunaxa Nation Council Society.

RESPONSIBLE PLAY

BCLC and Government believe in a shared approach to delivering gaming in British Columbia with integrity and in a socially responsible manner. Government directs a portion of BCLC net income annually to address problem gambling. Fiscal 2007/08 saw $7.0 million from consolidated revenue distributed to responsible gambling research, treatment and prevention programs, including GPEB's Problem Gambling Program.

HORSE RACING

British Columbia horse racing receives funding from Government to support efforts to stabilize and revitalize the industry. A portion of net income from slot machines at racetrack gaming centres is distributed to purse enhancements. In fiscal 2007/08, the horse racing industry received $5.7 million divided between the standardbred and thoroughbred sectors.

BCLC 's corporate sponsorship program provided further support to horse racing in British Columbia as the Presenting Sponsor for race events at Sunflower Downs in Princeton, Kin Park in Vernon and Sagebrush Downs in Kamloops throughout the summer.

HOST LOCAL GOVERNMENT SHARE OF COMMUNITY GAMING CENTRE REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

LOCAL GOVERNMENT	COMMUNITY GAMING CENTRE	2007/08 TOTAL	2006/07 TOTAL
Campbell River	Chances Campbell River	$ 677,359	$ 432,574
Courtenay	Chances Courtenay	53,553	-
Dawson Creek	Chances Dawson Creek	816,935	691,606
Duncan	Chances Cowichan	691,552	-
Fort St. John	Chances Fort St. John	424,770	-
Kamloops	Chances Kamloops	306,720	215,655
Kelowna	Chances Kelowna	970,692	635,199
Mission	Chances Boardwalk Mission	265,243	-
Port Alberni	Chances RimRock	227,556	-
Prince George	Chances Good Time Prince George	7,755	-
Prince Rupert	Chances Prince Rupert	190,606	-
Williams Lake	Chances Signal Point	611,791	466,687
TOTAL		$ 5,244,532	$ 2,441,721

HOST LOCAL GOVERNMENT SHARE OF CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

LOCAL GOVERNMENT	CASINO	2007/08 TOTAL	2006/07 TOTAL
Burnaby	Gateway Casino	$ 10,435,053	$ 9,806,757
Coquitlam	Boulevard Casino	9,946,589	9,186,194
Langley	Cascades Langely Casino	7,508,465	6,807,092
Kamloops	Lake City Casino	2,401,859	2,119,709
Kelowna	Lake City Casino	3,072,288	2,957,877
Ktunaxa Nation Council Society	Casino of the Rockies	1,731,596	1,534,266
Nanaimo	Great Canadian Casino	3,054,116	3,084,271
New Westminster	Gateway Casino Royal Towers	-	11,347
	Royal City Star Casino	2,387,439	3,399,656
	Starlight Casino	1,776,486	-
New Westminster Total		$ 4,163,925	$ 3,411,003
Penticton	Lake City Casino	1,853,805	2,543,797
Prince George	Treasure Cove Casino	3,039,251	2,859,167
Quesnel	Billy Barker Casino	702,038	638,976
Richmond	River Rock Casino Resort	12,583,081	12,698,623
Surrey	Fraser Downs Racetrack and Casino	3,923,856	3,387,454
Vancouver	Edgewater Casino	5,556,848	4,717,207
	Gateway Casino Mandarin Centre	-	704
	Great Canadian Casino Holiday Inn	773,996	1,252,919
	Hastings Racecourse Casino	131,842	-
Vancouver Total		$ 6,462,686	$ 5,970,830
Vernon	Lake City Casino	1,862,517	1,763,005
View Royal	Great Canadian Casino	5,037,149	4,901,585
Wells	Jack o' Clubs	-	150
TOTAL		$ 77,778,274	$ 73,670,756

BCLC is an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games in the category of Lottery and Gaming. BCLC is also a proud supporter of the Canadian Olympic Teams for Beijing 2008, Vancouver 2010 and London 2012. This sponsorship is based on a business strategy that maximizes BCLC's position in the marketplace through association with one of the most powerful brands in the world – the Olympics. The 2010 Winter Games are a once in BCLC's lifetime opportunity to link brand image, culture, products, programs and people to the brand attributes of the Olympic movement and the 2010 Winter Games.

As part of our support for the 2010 Winter Games, BCLC launched SportsFunder, a made-in-British Columbia lottery brand developed to provide financial assistance to amateur athletes.

In February 2006, BCLC launched the SportsFunder suite of lottery games with proceeds directly supporting amateur sport in British Columbia. In two years, $4.2 million has been allocated to amateur sport through SportsFunder, benefitting more than 12,000 youth in community sport from all corners of British Columbia.

Net income generated from SportsFunder products is over and above any current funding provided to British Columbia sport and recreation programs. Proceeds from SportsFunder products are managed by the provincial government and directed to four key areas:

Managed by Sport BC, this program provides sport registration grants to financially disadvantaged children. The program allows 2,000 children each year to play a season of sport by removing financial barriers.

By the end of fiscal 2007/08, KidSport™ had received $732,000 from the SportsFunder program, making it possible for a further 1,875 kids to play a season of sport.

TEAM BC

Developed by British Columbia's sport community, this is a strategy designed to improve the performance of British Columbia athletes striving to represent Canada at the Olympic Games and Paralympic Games and other world competitions.

Funding is directed to high performance coaches, sport technology development and equipment. In a little more than two years, $1.1 million has been directed to this program through SportsFunder.

Funding is dedicated to support coaching and leadership development for coaches affiliated with Team BC – the Canada Games and the North American Indigenous Games. Since the launch of SportsFunder, $675,000 has been directed to coach and leadership development with $550,000 distributed to the Coaches Association of BC – and $125,000 to the British Columbia Recreation and Parks Association High Five Program. Proceeds have helped certify some 1,500 new coaches.

The travel costs for athletes to attend competitions and access training facilities can be prohibitive, especially for those living in more remote areas of British Columbia.

Through SportsFunder, $1.6 million has been allocated to subsidize travel costs for athletes. The funding has been shared among three categories with $1.1 million directed to Provincial Sport Organizations, $390,000 to BC School Sports and $100,000 to Aboriginal Sport. Through SportsFunder, 163 school sports teams have benefitted, affecting 2,100 athletes and 15 sport disciplines, while Provincial Sport Organizations have awarded funding to 8,300 athletes from more than 100 communities.

Youth Benefited by Region

14% of youth benefited	South West British Columbia
10% of youth benefited	Kootenays
7% of youth benefited	Cariboo North East
4% of youth benefited	Thompson Okanagan
3% of youth benefited	Vancouver Island/Central Coast and the Vancouver/Squamish regions
2% of youth benefited	Lower Mainland

SPORTSFUNDER PRODUCTS

Three new SportsFunder Pull Tab games, Linebacker, Soccer Cup and Snowboard, were added to the SportsFunder suite of lottery products in fiscal 2007/08. SportsFunder Split the Uprights is a new Interactive game available on PlayNow on bclc.com.

Lottery retailers had the opportunity to give back to their community through the SportsFunder 50/50 Retailer Award. The retailer who sold the winning ticket for the week's highest SportsFunder 50/50 draw won $2,000 for distribution to the local team or sport organization of their choice. Since its introduction in February 2006, the award program directly benefited 80 teams across the province through $160,000 in contributions. The program was discontinued in August 2007.

Lottery players have a hand in directing funds to amateur sport organizations of their choice through instant win tickets. When players win a Share the Dream prize on certain SportsFunder Instant Win tickets, they win a cash prize to keep and the same amount to give. Players select an amateur sport organization from an approved list and BCLC directs the team prize portion to that organization. Since February 2006, lottery players have chosen 14 different organizations to receive a total of $47,000.

Share the Dream beneficiaries since February 2006

BC Amateur Hockey Association
BC Blind Sports
Cycling BC
Special Olympics BC
BC Archery Association
BC Speed Skating Association
Boxing BC Association
BC Disability Sports
Baseball BC
BC Amateur Athletics Association
BC Soccer Association
Disabled Skiers Association of BC
BC Amateur Football
BC Rugby Union

SportsFunder sponsored a number of events during fiscal 2007/08, including the BC Sports Hall of Fame Memorial Cup hockey championship, Northern BC Winter Games and the Sport BC 2007 Athlete of the Year Banquet.

2010 AND SPORTSFUNDER

BCLC was the first local partner with sponsorship rights for the Vancouver 2010 Olympic and Paralympic Winter Games. As an Official Supporter, BCLC plans to provide players with exciting opportunities leading up to the 2

Winter Games through chances to win unique prizes, including 2010 Winter Games event tickets, trips and merchandise. The marketing agreement with BCLC will result in more than $10 million in royalties directed to the staging of the 2010 Winter Games.

SportsFunder will give thousands of British Columbians the opportunity to experience the 2010 Winter Games first-hand through experiential prizes of event tickets. Of the six new SportsFunder Instant Win tickets launched during fiscal 2007/08, three offered players the first chance to win tickets to Olympic events.

The First Tickets to 2010 Instant Win game was introduced in October, giving British Columbians the first chance to secure tickets for the 2010 Winter Games Opening Ceremony. With 100 pairs of tickets available, top prize winners receive $1,000 in spending money and, more importantly, the opportunity of a lifetime to attend the Opening Ceremony.

Gwen Blair of Maple Ridge won the very first tickets in the world to the 2010 Winter Games Opening Ceremony. Blair liked the odds and that the money would go to a good cause. Her ticket purchase yielded the best possible result, as her dream of going to the Opening Ceremony on February 12, 2010 has become a reality.

In January, BCLC launched the $5 SportsFunder Gold Medal Hockey Instant Win ticket, featuring retired Canadian NHL hockey player Joe Nieuwendyk. Featuring 100 pairs of gold medal hockey tickets and top prizes of $75,000 cash, the game provides British Columbians with one of the first chances to receive tickets for the Men's or Women's Gold Medal Hockey finals in 2010.

Fraser Lake resident, Stacy Reynolds, is thrilled to be one of the first in the world to secure tickets to the men's gold medal hockey game at the 2010 Winter Games. Reynolds participated in BCLC's SportsFunder Gold Medal Hockey promotion. Players who spent $5 on SportsFunder Interactive games of SportsFunder 50/50 were eligible to win a pair of tickets.

The $5 SportsFunder Gold Medal Figure Skating Instant Win ticket was released in March, featuring top cash prizes of $50,000 and a chance to win tickets to the 2010 Winter Games Gold Medal Figure Skating finals. Players have the chance to win tickets to the Pairs, Dance, Men's and Ladies' Finals.

BCLC purchases 2010 Winter Games tickets for SportsFunder lottery games from our allotment as an Official Supporter in the category of Lottery and Gaming.

BCLC is committed not only to offering our players opportunities to participate in the 2010 Winter Games, but also providing employees with the chance to be involved.

In February, the BCLC 2010 Olympic and Paralympic Winter Games Employee Participation program was introduced.

The journey leading up to February 12, 2010, offers employees the opportunity to be a part of British Columbia history. While some employees are working on BCLC projects and initiatives that are directly related to the 2010 Winter Games, others, in true BCLC spirit, expressed interest in volunteering for the 2010 Winter Games.

Interested employees submitted their names and committed their vacation time to volunteer for the 2010 Winter Games. Due to the tremendous response, a random draw was conducted to reduce the list to 50. Volunteer applications were submitted to the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games™ (VANOC) for final approval.

Acting as Community Ambassadors for the 2010 Winter Games is just one of the opportunities that may be available to BCLC employees.

BCLC is an Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games in the category of Lottery and Gaming. BCLC is also a proud supporter of the Canadian Olympic Teams for Beijing 2008, Vancouver 2010 and London 2012. This sponsorship is based on a business strategy that maximizes BCLC's position in the marketplace through association with one of the most powerful brands in the world – the Olympics. The 2010 Winter Games are a "once-in-BCLC's-lifetime" opportunity to link brand image, culture, products, programs and people to the brand attributes of the Olympic movement and the 2010 Winter Games.

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KIDSPORT™:

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Developed by British Columbia's sport community, this is a strategy designed to improve the performance of British Columbia athletes striving to represent Canada at the Olympic Games and Paralympic Games and other world competitions.

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YOUTH SPORT TRAVEL ASSISTANCE:

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2010 AND SPORTSFUNDER

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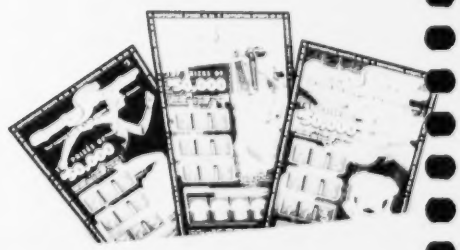

Winter Games through chances to win unique prizes, including 2010 Winter Games event tickets, trips and merchandise. The marketing agreement with BCLC will result in more than $10 million in royalties directed to the staging of the 2010 Winter Games.

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Fraser Lake resident, Stacy Reynolds, is thrilled to be one of the first in the world to [illegible] gold medal hockey

participated in BCLC's SportsFunder Gold Medal Hockey promotion. Players who spent $5 on SportsFunder Interactive games or SportsFunder 50/50 were eligible to win a pair of tickets.

The $3 SportsFunder Gold Medal Figure Skating Instant Win ticket was released in March, featuring top cash prizes of $50,000 and a chance to win tickets to the 2010 Winter Games Gold Medal Figure Skating finals. Players have the chance to win tickets to the Pairs, Dance, Men's and Ladies' Finals.

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EMPLOYEE INVOLVEMENT

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Acting as Community Ambassadors for the 2010 [illegible] Games is just one of the opportunities

STRIKING A BALANCE

The gaming entertainment business has become increasingly competitive and complex. In offering exciting gaming entertainment to our players, BCLC strives to strike a balance between being innovative and competitive and continuing to be socially responsible in all aspects of our business.

In fiscal 2007/08, BCLC continued to focus on the player with the implementation of projects to put the player first and increase the integrity of our systems. BCLC also successfully undertook a major capital project to replace the lottery network in more than 4,000 lottery retail locations across British Columbia.

BCLC continued to develop properties that are sized to fit the marketplace and offer a full range of entertainment options for players. The installation of slot machines at Hastings Park Racecourse transformed the facility into one of two racetrack gaming centres in the province, and British Columbia's newest full-service entertainment facility, Starlight Casino, opened in New Westminster.

The community gaming centre model gained momentum with six brand new facilities and one renovated facility. BCLC also received host local government approval for community gaming centres in Terrace, Castlegar, Langley and Abbotsford.

BUSINESS PARTNERS

BCLC contracts with business partners to provide gaming and day-to-day operational services at lottery retail outlets, casinos, community gaming centres and commercial bingo halls.

In addition to forming an integral part of our business, these partnerships have a significant economic benefit for the province. Commissions paid to lottery retailers for product sales and service fees paid to casino and bingo hall service providers totalled $557.2 million. Significant economic benefit is also generated through the procurement of about $137 million in equipment, goods and services from suppliers.

BCLC has contractual agreements with 2,869 retail locations, which range from family stores to corporate chains, and 1,141 hospitality locations, mainly bars and pubs, to sell lottery products. Retailers receive an industry-standard commission for the sale of lottery products, with opportunities to increase earnings through incentive programs.

BCLC contracts with private businesses for day-to-day operations at casino facilities. Casino service providers are compensated through fees based on a percentage of net win (after prizes) from slot machines and table games. An additional percentage is available for facility development.

Commercial bingo halls and community gaming centres are operated through contracts with BCLC. Service fees are paid to these companies based on a weekly net win (after prizes) for bingo products and slot machines. An additional percentage is available for facility development.

COMMUNITY FORUMS

In fiscal 2007/08, BCLC continued our program of meeting with representatives and community leaders from business, health services, tourism, policing, local government and groups that benefit from community gaming grants. The intent is to provide local representatives with the opportunity to learn more about BCLC and the contributions and impacts that gaming has on their communities.

In fiscal 2007/08, BCLC hosted forums in New Westminster, Dawson Creek, Surrey, Kamloops, Burnaby, Chilliwack and the North Shore.

PLAYER PROFILES

Through an independent research company, BCLC surveyed a random selection of adult British Columbians about their attitudes toward gaming, as well as their participation in lottery, casino and bingo gaming over the past year. Throughout fiscal 2007/08, a total of 3,000 respondents were interviewed.

The characteristics of our lottery, casino and bingo players can be compared against the general characteristics of adult British Columbians, as follows:

- 51% are female and 49% are male
- 27% are 19-34 years old
- 73% are 35 years or older
- 69% have some post-secondary education
- 51% are from households with an annual income of $60,000 or greater

In the past year, 81% of adult British Columbians participated in at least one form of gaming offered by BCLC.

- 79% played a lottery product
- 32% visited a British Columbia casino
- 8% visited a British Columbia commercial bingo hall or community gaming centre

Source: Gaming Watch fiscal 2007/08

LOTTERY BUSINESS UNIT

For the past several years, a major strategic priority for BCLC has been the transformation and reinvention of the lottery business. Fiscal 2007/08 marked another year of successes, as BCLC continued to introduce products and games that focus on enhancing the player experience.

AWARDS

BCLC's very own Pacific Hold'Em Poker was honoured last year with the distinction of the "Best New Online Game" in North America. Presented by the North American Association of State and Provincial Lotteries (NASPL), Pacific Hold'Em Poker won because of its uniqueness. Launched in September 2006, the lottery game provides a realistic representation of playing a game of poker through computer-generated graphics presented on a television monitor.

BCLC's Scratch and Win advertising campaigns are often recognized for their fresh approach and quirky humour. The television commercial, "Honest," was no exception, featuring a woman asking her spouse to comment on her outfit. After a bit of prodding, he rattles off a surprisingly detailed commentary of fashion advice, shocking both the woman and viewers and highlighting the odds of something happening in life compared to the great odds in Scratch and Win.

Created by advertising agency TBWA with oversight by BCLC's Instant Win team, the commercial won a silver medal award at the 2007 Marketing Awards Gala in Toronto.

SPORTS ACTION

BCLC continued our long-standing tradition of sponsoring the BC Lions and Vancouver Canucks through Sports Action products.

A Sports Action kiosk, offering fun games for fans and the chance to win prizes, was new on the scene this year for every BC Lions' home game. The Sports Action Catch to Win promotion was a hit at every home game, offering participants the chance to win $5,000 for successfully catching three punted footballs.

BCLC also supported the BC Lions' Courage for Kids program, sending 500 underprivileged children to home games.

Mike Pascoa was thrilled to win the opportunity to participate in the Sports Action Million Dollar Shootout, which included tickets to the Sports Action suite at General Motors Place and a Vancouver Canucks hockey jersey. Players who spent $10 or more on Sports Action were eligible to enter the contest.

Pascoa had three shots during the intermission of a Vancouver Canucks home game. Netting $11,000 for scoring the first two shots, Pascoa moved back to the far blue line and narrowly missed the net and a chance to win $1 million.

TICKETS FOR A CAUSE

BCLC entered into a marketing partnership with the conservation organization World Wildlife Federation-Canada to help raise awareness of its Save Our Climate campaign. The $2 Save Our Polar Bears ticket offered more than $1 million in prizes, including Polar Bear Adoption Kits. The biggest win, though, was the unique opportunity to raise provincewide awareness through BCLC's broad spectrum of lottery players.

NATIONAL GAMES

For the second year in a row, BCLC offered Millionaire Life, a nationwide raffle-style game available for a limited time during February. The lottery offers the largest annuity in Canadian history with the top prize of $1 million a year for 25 years.

Fiscal 2007/08 marked the 25th anniversary of Lotto 6/49. Debuting in June 1982, the nationwide game has remained popular with lottery players across the country. To commemorate its quarter century status, a 6/49 Instant ticket was launched in September and sold out in record time. The $5 ticket offered top prizes of $125,000 and every ticket was a winner. Players who did not win a cash prize were guaranteed a free ticket prize.

PAYDAY

As part of our commitment to offer fun and exciting games that engage our players, BCLC regularly reviews our portfolio of lottery products for popularity and sales performance. BCLC made the decision to discontinue PayDay, a British Columbia-only game that offered players a top prize of $2,000 every two weeks for 20 years. The last draw was held in March.

CAPITAL PROJECT

During fiscal 2007/08, BCLC undertook a major capital project with the replacement of the lottery network. While the task of upgrading from telephone lines to Internet Protocol, cellular and satellite technology in 4,100 lottery retail locations across British Columbia was daunting, the transition was seamless, resulting in no loss of play or sales at any locations.

eGAMING

During fiscal 2007/08, PlayNow initiatives included launching an Interactive Games

home page, introducing a monthly newsletter, installing site security updates and maintaining a top-three merchant status for Canadian e-commerce sales volume using *Interac* Online. By fiscal year-end, PlayNow registrants totalled some 90,000 players.

INTERACTIVES

Among the 10 new Interactive games launched on PlayNow on bclc.com, Fruit Smash proved to be the most popular.

Two holiday-themed games were featured for a limited time during December. Stocking Stuffer returned for a second season, while Holiday Cheer was new to the line-up and marked the first multi-priced "Match 3" Interactive game offered on PlayNow.

In September, PlayNow introduced a new more user-friendly Interactive Games home page that allows players to filter the games list through set categories.

Sign your ticket — *Check your own ticket*

Watch the customer display monitor — *Check your validation slip*

In fiscal 2007/08, BCLC launched a provincewide print media campaign designed to highlight the convenience of PlayNow on bclc.com.

PLAYER FIRST

BCLC has remained steadfast in our commitment to players through 23 years of selling lottery products, often pioneering player security policies and technologies. However, we know that there is room for improvement.

In fiscal 2007/08, BCLC's lottery business unit formalized our player-focused practices into a new initiative, Player First. Based on the concept of improving player security and validation procedures, Player First initiatives saw new standards at retail locations and improvements to the lottery prize payout and validation system.

With 60 projects identified, BCLC's commitment to Player First quickly gained momentum and substantial progress has been made. Progress reports are released on a quarterly basis at http://www.bclc.com. GPEB continues to monitor BCLC's progress through regular audits of lottery gaming.

Quarter One updates:

- Implemented a new Lottery Retailer Code of Conduct, including a No Play at Work policy and introduced a retailer progressive discipline policy.
- Improved retail locations by securely locking all Customer Display Monitors in player-facing positions and developing a new winning jingle that is louder and plays longer than the former version.
- Launched improved validation procedures. All tickets, whether winning or non-winning, must be returned to players. All winning tickets paid out by retailers are stamped "paid," and the prize, ticket and validation slip are returned to the player.
- Extended hours of operation at Prize Payout offices to accommodate changes to prize payout claims.
- Activated Lottery Player Complaint Centre telephone hotline at 1-866-601-1818.

Quarter Two updates:

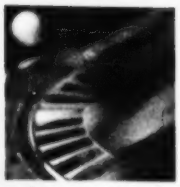
- Commenced lottery retailer training and certification in October, with direct certification by BCLC staff, classroom training at BCLC offices in Kamloops or Richmond, regional training at major centres across British Columbia, and on-site training at retail locations.
- Installed Check-A-Ticket terminals in all outlets with lottery terminals.
- Developed *Play with Confidence*, an ongoing education program that includes the Player First section of bclc.com, in-store signage, advertisements in major newspapers and messaging printed on tickets.
- Implemented a terminal freeze for wins of $10,000 or greater, requiring contact from a BCLC representative to unfreeze.
- Locked down and altered lottery terminals to prevent tampering.
- Implemented another layer of security where all wins by retailers of $1,000 or greater are reviewed by Corporate Security investigators.
- Established the requirement for a statutory declaration by all prize claimants, including mail-in prizes, for amounts of $3,000 or greater to confirm whether or not they are a lottery retailer, BCLC employee or a family member of a lottery retailer or BCLC employee.

Quarter Three updates:

- Completed implementation of all 10 GPEB recommendations (http://www.bclc.com/documents/PlayerFirst/OmbudsmanReportStatusSummary_Q2.pdf) to BCLC.
- Created a database of all BCLC lottery retailers and BCLC retailer employees.
- Performed security enhancements that monitor Check-A-Ticket terminals, speakers and other devices that alert customers to a win.
- Completed development of a program where all persons operating a lottery terminal are trained and certified.

THE FUTURE

With changes made over the past year, our system today is leading the way in player protection in North America. Moving forward, BCLC's strategic initiative is to complete the implementation of Player First projects while continuing to offer innovative games and products that enhance the gaming experience for our players.



CASINO BUSINESS UNIT

BCLC's primary strategic priority during the past few years has been to develop fewer, higher quality casino properties sized to fit the marketplace.

CASINO OPENINGS AND UPGRADES

Starlight Casino in New Westminster opened in December and offers players a full-service entertainment facility featuring British Columbia's newest poker room, the most up to date slot machines, a luxurious Asian restaurant, sports bar and a show lounge with live entertainment. In keeping with BCLC's strategy to upgrade existing facilities, this 100,000 square foot landmark replaces the now closed Royal City Star Casino.

After an extensive approval process, 150 slot machines were added to Hastings Park Racecourse in November. A total of 600 slot machines are planned for this facility, with the installation of additional machines scheduled for summer 2008.

BCLC plans to continue renovating and upgrading existing facilities to better meet marketplace demand and to continue to meet and exceed player expectation for an exceptional entertainment experience.

POKER TOURNAMENTS

Attracting out-of-province visitors not only requires having world-class facilities but also consistently offering high-quality entertainment. BCLC began hosting large poker tournaments two years ago. Popular mainstays, Pacific Poker Shootout, B.C. Poker Championships and Women's Poker Classic, continue to attract players from British Columbia, across Canada and the United States.

Poker legend Johnny Chan drew so much attention at the 2006/07 B.C. Poker Championships that BCLC approached him about hosting a Johnny Chan Poker Classic. The week-long tournament held at River Rock Casino Resort in May featured five events, some 1,700 players and a total prize pool of $2.16 million, making it one of the largest poker tournaments ever in British Columbia.

Jennifer Tokarek and her mother, Lillian, celebrate their success at the 2007 Pacific Poker Shootout.

Diane Ilich, grand prize winner of BCLC's Live Your Dream Giveaway, selected a shopping spree vacation.

Vivencia Kiraly, 2007 Pacific Poker Shootout Champion, is congratulated by Danny Chang of BCLC and James Park of Gateway Casinos.

Sarah Maxine Farber played for breast cancer research and won the top prize at the Women's Poker Classic.

BCLC CASINO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

CASINO	SERVICE PROVIDER	CITY	BCLC SLOT MACHINE REVENUE	NUMBER OF SLOT MACHINES AT MARCH 31	BCLC TABLE GAME REVENUE	NUMBER OF TABLES AT MARCH 31	BCLC COMBINED CASINO REVENUE FISCAL 2007/08	BCLC COMBINED CASINO REVENUE FISCAL 2006/07*
COMMUNITY CASINOS								
Billy Barker Casino	585 Holdings Ltd.	Quesnel	$ 10,832,828	140	$ 445,562	7	$ 11,278,390	$ 10,168,146
Boulevard Casino	Great Canadian Casinos Inc.	Coquitlam	132,367,001	938	46,162,580	70	178,529,581	158,237,485
Cascades Langley Casino and Hotel	Gateway Entertainment and Casinos Inc.	Langley	103,471,728	531	23,544,171	36	127,015,899	114,887,017
Edgewater Casino	Edgewater Casinos Inc.	Vancouver	54,764,219	493	48,189,928	67	102,954,147	85,030,165
Fraser Downs Racetrack and Casino	Orangeville Raceway Ltd.	Surrey	61,245,505	465	1,353,675	12	62,599,180	51,863,309
Gateway Casino Burnaby	Gateway Entertainment and Casinos Inc.	Burnaby	133,611,580	678	43,080,771	33	176,692,351	164,773,592
Great Canadian Casinos Nanaimo	Great Canadian Casinos Inc.	Nanaimo	45,992,503	382	4,060,545	9	50,053,048	49,893,300
Great Canadian Casinos Vancouver	Great Canadian Casinos Inc.	Vancouver	–	–	16,141,383	–	16,141,383	26,263,565
Great Canadian Casinos View Royal	Great Canadian Casinos Inc.	View Royal	72,928,931	439	10,292,223	24	83,221,154	80,138,560
Hastings Racecourse Casino	Hastings Entertainment Inc.	Vancouver	2,139,220	150	–	–	2,139,220	–
Lake City Casino Kamloops	Gateway Entertainment and Casinos Inc.	Kamloops	36,694,779	301	2,649,699	8	39,344,478	34,429,785
Lake City Casino Kelowna	Gateway Entertainment and Casinos Inc.	Kelowna	46,209,716	342	4,570,389	11	50,780,105	48,400,953
Lake City Casino Vernon	Gateway Entertainment and Casinos Inc.	Vernon	28,906,396	210	1,593,768	8	30,500,164	28,540,144
River Rock Casino Resort	Great Canadian Casinos Inc.	Richmond	112,408,538	901	123,382,271	108	235,790,809	233,067,408
Treasure Cove Casino	Prince George Casino Supply Ltd.	Prince George	47,206,436	550	4,059,762	10	51,266,198	46,296,953
Total			**$ 888,779,380**	**6,520**	**$329,526,727**	**403**	**$ 1,218,306,107**	**$1,131,990,382**
DESTINATION CASINOS								
Casino of the Rockies	SEM Casino Limited Partnership	Cranbrook	$ 15,128,090	227	$ 1,500,924	11	$ 16,629,014	$ 14,362,294
Lake City Casino Penticton	Gateway Entertainment and Casinos Inc.	Penticton	28,380,514	228	2,310,215	11	30,690,729	27,196,038
Royal City Star Casino .	Gateway Entertainment and Casinos Inc.	New Westminster	19,405,465	–	5,983,346	–	25,388,811	35,342,654
Starlight Casino	Gateway Entertainment and Casinos Inc.	New Westminster	22,214,865	862	8,893,801	56	31,108,666	–
Total			**$ 85,128,934**	**1,317**	**$ 18,688,286**	**78**	**$ 103,817,220**	**$ 76,900,986**
Grand Total			**$ 973,908,314**	**7,837**	**$ 348,215,013**	**481**	**$1,322,123,327**	**$1,208,891,368**

Starlight Casino opened December 10, 2007
Hastings Racetrack Casino opened November 10, 2007
Fraser Downs Racetrack and Casino added tables to the gaming floor on November 22, 2007
Royal City Star Casino closed on December 8, 2007 and relocated as Starlight Casino
Great Canadian Casinos Vancouver (Holiday Inn) closed November 17, 2007

Cashing in on the opportunity of a lifetime to pit his skills against the 2002 Poker Hall of Fame inductee, Henry Tran of Toronto won the No Limit Texas Hold'Em main event and walked away with $325,000. The tournament attracted professional poker players Brad "Yukon" Booth, Lacey Jones and Gavin Smith, who joined Johnny Chan.

For the second year in a row, Cascades Casino hosted BCLC's Pacific Poker Shootout. The three-day tournament featured two events, 530 players and a total prize pool of $285,000. Vivencia Kiraly of Grand Forks proved she was worthy of being the last player standing, winning seats at the final tables for two events and a total of $51,300. After placing fifth in the $300 No Limit Texas Hold'Em Shootout, Vivencia upped the ante for the $1,000 No Limit Texas Hold'Em Shootout and walked away with the grand prize.

The third annual B.C. Poker Championships at River Rock Casino Resort once again attracted players from across North America. Featuring a total prize pool of $2.4 million, the largest to date in British Columbia's history, the week-long tournament had four events and some 1,700 players. Entering the final table with one of the highest chip counts, Tsawwassen's Daniel Idema stayed strong to the end and won the grand prize of $402,500.

Playing for breast cancer research continued to draw women to the third annual Women's Poker Classic. Held at Cascades Casino in Langley, the tournament attracted 767 players, had a total prize pool of $229,785, and raised close to $40,000 for the Canadian Breast Cancer Foundation, B.C./Yukon region.

After eliminating 269 women, Sarah Maxine Farber of Surrey won the top prize in the No Limit Texas Hold'Em Main Event. Sarah won $33,750 and a seat at the World Series of Poker Ladies No Limit Hold'Em World Championship in Las Vegas.

BCLC hosted its second provincewide Three Card Poker contest. Every Three Card Poker player who was dealt a Mini-Royal, which is an Ace-King-Queen suited, and made a minimum table bet was entered into a draw to win a seat in the world championships.

In December, 15 poker players travelled to the 2007 Three Card Poker World Championship in Las Vegas where they had a chance to win the top prize of $500,000 (US). Each winner had their entry fee paid by BCLC and received $2,000 cash for accommodation and travel expenses.

Maria Chau won the top prize of $5,000 in the inaugural Mahjong Charity Open at River Rock Casino Resort in October, defeating 227 players.

Sponsored by BCLC and presented by River Rock Casino Resort, the Mahjong Charity Open raised $5,000 for the Richmond Community Foundation. The funds supported three Terra Nova Park Programs: preserving a local park, teaching children about healthy eating habits and collecting local fruit for families in need.

SHEPPING SPREE

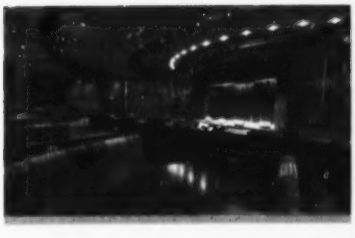
Not many people have the chance to jet off on a $20,000 cross-country shopping spree, but that is exactly what Diane Ilich of Nanaimo did after winning BCLC's Live Your Dream Giveaway contest. The provincewide contest held in British Columbia casinos featured a number of prizes: 16 Caribbean Carnival cruises, six Volvos, and a once-in-a-lifetime dream getaway adventure. Grand prize winner Diane had the opportunity to choose from five getaways, opting for the $20,000 Los Angeles and New York shopping spree.

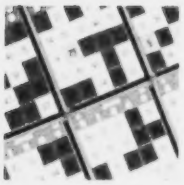
Daryl McCullough of Great Canadian Gaming and Julienne Joe of BCLC congratulate Maria Chau, winner of the Mahjong Charity Open.

Johnny Chan of the Poker Hall of Fame and Danny Chang of BCLC congratulated Henry Tran, the grand prize winner of the Johnny Chan Poker Classic.

Paula Stregger, winner of the No Limit Texas Hold'em Ladies Event at the 2007 B.C. Poker Championships.

Daniel Idema, champion of the main event at the 2007 B.C. Poker Championships.





BINGO BUSINESS UNIT

Community Gaming Centres

In fiscal 2004/05, BCLC developed a community gaming centre model to help revitalize commercial bingo gaming in British Columbia. Facilities in Kamloops, Kelowna, Williams Lake and Dawson Creek were upgraded with the addition of slot machines and a new Chances brand was developed to set the standard for these centres.

The basic concept to increase the overall entertainment value for players while retaining bingo as the primary game has been achieved through offering an expanded array of entertainment options in facilities sized to fit the marketplace. Our bingo service providers have supported this through the introduction of small-scale live entertainment featuring musicians, comedians and game shows, big-screen televisions to broadcast sports and other events, comfortable gathering places including high-quality lounges and restaurants, and fun, creative promotions and special events.

The community gaming centre model gained ground in fiscal 2007/08 with the opening of seven facilities.

Chances Campbell River opened in July with a unique west coast theme, featuring electronic and paper bingo, slot machines, lottery products and food and beverage services. Replacing the Campbell River Bingo Palace, which had been in operation since 1985, the new facility offers 17,000 square feet of high-quality gaming entertainment.

In August, Mission's Boardwalk Gaming Centre became a community gaming centre, and after extensive renovations to the existing facility it was rebranded as part of the Chances family in October. Offering a new level of entertainment, Chances Boardwalk added slot machines to complement existing touch screen bingo

BCLC BINGO REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 2008

COMMERCIAL BINGO HALLS AND COMMUNITY GAMING CENTRES

Abbotsford Bingo	Playtime Peardonville Ventures Ltd.	Abbotsford	–	–	–	512	$ 3,929,629	$3,929,629	$5,772,346
Bingo Bingo Esquimalt	319968 BC Ltd. (DBA Bingo Bingo Esquimalt)	Victoria	–	–	–	220	5,360,716	5,360,716	4,954,262
Bistro Bingo	Mount Pleasant Starship Community Charitable Assoc.	Vancouver	–	–	–	–	–	–	3,931
Boardwalk Gaming Centre - Burnaby	427967 BC Ltd. (DBA Bingo Country)	Burnaby	–	–	–	536	7,073,430	7,073,430	7,849,352
Chances Boardwalk Mission	Boardwalk Gaming Mission Inc.	Mission	50	4,296,438	–	177	2,599,678	6,896,116	3,156,234
Chances Campbell River	Playtime Community Gaming Centres Inc.	Campbell River	100	11,255,806	7,075,897	300	3,436,689	14,692,495	11,073,576
Chances Courtenay	Playtime Community Gaming Centres Inc.	Courtenay	75	932,515	–	205	3,167,435	4,099,950	3,324,112
Chances Cowichan	Duncan Dabber Bingo Society	Duncan	75	10,374,836	864,754	400	4,719,995	15,094,831	5,401,708
Chances Dawson Creek	0542603 BC Ltd.	Dawson Creek	142	14,090,911	11,734,218	176	1,218,798	15,309,709	12,934,096
Chances Fort St. John	243045 Alberta Ltd.	Fort St. John	142	7,365,154	–	175	2,242,947	9,608,101	3,200,944
Chances Kamloops	Enterprise Entertainment Ltd.	Kamloops	50	4,993,955	3,585,276	672	10,377,040	15,370,995	13,785,919
Chances Kelowna	Goldwing Investments (Saskatoon) Ltd.	Kelowna	100	15,756,237	10,336,656	740	11,196,390	26,952,627	21,208,470
Chances Good Time Prince George	Good Time Bingo Hall Inc.	Prince George	79	125,075	–	660	14,939,136	15,064,211	14,191,123
Chances Prince Rupert	0733244 BC Ltd.	Prince Rupert	117	3,165,728	–	120	832,418	3,998,146	1,363,606
Chances RimRock	Alberni Valley Bingo Association	Port Alberni	75	3,872,429	–	182	2,463,838	6,336,267	3,481,972
Chances Signal Point	Lucky's Ventures Ltd.	Williams Lake	100	10,488,196	8,086,775	338	4,221,229	14,709,425	11,811,693
Chilliwack Bingo	Chilliwack Bingo Association	Sardis	–	–	–	474	14,192,797	14,192,797	13,094,461
Fairweather Bingo Hall	Terrim Properties Ltd.	Vernon	–	–	–	480	6,002,922	6,002,922	5,945,004
Haney Bingo Plex	Great Canadian Entertainment Centres Ltd.	Maple Ridge	–	–	–	525	9,069,283	9,069,283	9,021,698
Harbour City Bingo Hall	Harbour City Bingo Society	Nanaimo	–	–	–	500	7,481,342	7,481,342	6,407,510
Langford Drop-In Bingo	Playtime Community Gaming Centres Inc.	Victoria	–	–	–	–	–	–	809,494
Langley Bingo Palace	Playtime Community Gaming Centres Inc.	Langley	–	–	–	642	8,106,007	8,106,007	7,021,636
Lucky Dollar Bingo Palace	Lucky Dollar Bingo Management Ltd.	Terrace	–	–	–	300	5,183,502	5,183,502	4,663,518
Newton Bingo Country	427967 BC LTD. (DBA Bingo Country)	Surrey	–	–	–	684	13,181,309	13,181,309	13,885,803
Penticton Bingo Palace	Playtime Community Gaming Centres Inc.	Penticton	–	–	–	482	4,188,630	4,188,630	4,073,780
Planet Bingo	Community Gaming Management Association	Vancouver	–	–	–	676	16,632,853	16,632,853	17,016,029
Playtime Bingo (Nanaimo)	Playtime Community Gaming Centres Inc.	Nanaimo	–	–	–	460	4,915,785	4,915,785	5,416,480
Playtime Bingo (Victoria)	Playtime Community Gaming Centres Inc.	Victoria	–	–	–	508	3,784,526	3,784,526	4,147,553
River City Bingo	River City Bingo Association	Powell River	–	–	–	–	–	–	809,625
Rocky Mountain Bingo	Terrim Properties Ltd.	Cranbrook	–	–	–	285	2,190,876	2,190,876	2,330,204
Total			1105	$86,717,280	$41,683,576	11,429	$172,709,200	$259,426,480	$218,156,139
Independent Bingo Hall Ka-Chingo Sales								449,033	472,642
Paper Bingo Distribution Revenue								278,881	274,113
Grand Total								$260,154,394	$218,902,894

As of March 31, 2008

Commercial Halls offering Handheld Bingo	12
Commercial Halls offering Starship Bingo	22
Commercial Halls offering Paper Bingo	27
Commercial Halls offering Starship Bingo (Personal Play)	26
Commercial Halls offering Ka-Chingo	27
Commercial Halls offering Gecko	5
Commercial Halls offering Bets	19

Facilities closed in 2007/08
- Playtime Gaming Campbell River - Campbell River, closed June 30, 2007
- Dob City - Port Alberni, closed, August 25, 2007
- Rainbow Bingo Hall - Fort St. John, closed September 15, 2007
- Valley Entertainment Palace - Courtenay, closed February 19, 2008
- Good Time Bingo Hall - Prince George, closed March 22, 2008

New Community Gaming Centres
- Chances Campbell River - Campbell River, open July 5, 2007
- Chances Boardwalk Mission - Mission, open August 24, 2007
- Chances RimRock - Port Alberni, open September 14, 2007
- Chances Fort St. John - Fort St. John, open September 21, 2007
- Chances Prince Rupert - Prince Rupert, open October 11, 2007
- Chances Courtenay - Courtenay, open February 28, 2008
- Chances Good Time Prince George - Prince George, open March 27, 2008

terminals, traditional bingo, lottery products and food service.

September marked the opening of two new community gaming centres, Chances RimRock in Port Alberni and Chances Fort St. John. Adopting a Pacific Northwest rainforest theme, Chances RimRock offers a virtual games room and an on-site microbrewery in addition to the standard amenities. Chances Fort St. John also offers off-track betting for horse-racing and an 85-seat show lounge that features live entertainment and Pay-Per-View events.

Opening in October, Chances Prince Rupert operates in a new 16,000 square foot facility with views of the harbour and provides residents and tourists with a special brand of coastal hospitality featuring a 60-seat restaurant, lounge and patio and off-track betting for horse racing.

In February, Chances Courtenay opened, featuring a West Coast theme complete with a bistro and lounge. Chances Prince George opened in March, offering a fresh entertainment option set in a relaxing atmosphere showcasing aboriginal and naturalist art.

BCLC also obtained host local government approval for community gaming centres in Terrace, Castlegar, Langley and Abbotsford.

CHANCES BRAND

To support new and existing community gaming centres, BCLC launched a Chances-branded media campaign. Focusing on radio and print advertisements, the campaign launched in every community that hosts a Chances facility.

BINGO GAMES AND PROMOTIONS

Lightning Bingo was piloted this year in three bingo halls: Burnaby, Chilliwack and Terrace. This new and exciting electronic game is played at full-speed with players winning money for every spot dabbed.

Ka-Chingo, a provincewide linked bingo game offered three times a day in commercial bingo halls and community gaming centres, received a refresh in December. This included new prizing with jackpots that always start at $25,000, changes to speed up the game and a fixed winning pattern.

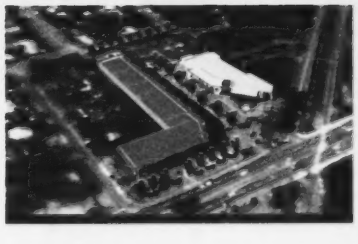
Susan Thomson of Calgary proved bingo gaming in British Columbia is well worth the travel after she won the grand prize in the $10,000 Shopping Dream contest. The contest was open to all Ka-Chingo players, but Susan had the first bingo in the province. Each hall offered a consolation shopping spree prize, ranging in value from $1,250 to $5,000.

BCLC's bingo marketing team stretched the fun out until May when they hosted a mini-vacation for the winners of a Ka-Chingo promotion that occurred in early 2007. The highlight of the trip to Las Vegas was seeing *The Price is Right Live Stage Show*. Even though none of the winners were selected to participate in the show, their front-row seats and Ka-Chingo T-shirts did win them an acknowledgement by the host.

SMOKING REGULATION

British Columbia's *Tobacco Control Act and Regulation* was amended March 31, 2008, banning smoking in all indoor public places and work places. BCLC supported our service providers in implementing strategies that complied with the amendment while ensuring players continued to have the best possible entertainment experience through upgraded amenities, marketing initiatives and the development of compliant smoking patios.

Marsha Walden, BCLC Vice-President Bingo Gaming, Mark Foan, Construction Project Manager at Playtime Community Gaming Centres Inc., Tom Nellis, CEO of Playtime Community Gaming Centres Inc., Starr Winchester, Mayor of the City of Courtenay, Greg Phelps, Councillor of the City of Courtenay, and Manno Theos, Councillor of the City of Courtenay celebrate the opening of Chances Courtenay.



For the past 23 years, BCLC has been helping British Columbians turn their dreams into reality. In fiscal 2007/08, lottery and bingo winners collected $647.1 million in prizes, including one of the largest lottery prizes won in British Columbia history.

MILLIONAIRE FOR LIFE

Although Burnaby resident, Angela Towle, had spent many nights dreaming about ways to spend the Millionaire Life jackpot, she waited until she heard that the winning ticket was sold in Burnaby before chancing a look at the winning numbers on bclc.com. After a few minutes of pacing around her apartment, Angela regained her composure enough to share the news, that she was now a millionaire for life, with her family and boyfriend.

Opting for the lump sum payment of $17 million rather than the annuity, Angela planned to share some of her winnings with family and invest a large portion. She also planned to move back to Nova Scotia to open a business while pursuing her love of writing and travelling.

In addition to the top prize, seven subsidiary prizes of $100,000 each were won in British Columbia.

SHARING SISTERS

Abbotsford sisters, Sheryle and Barbara Harms, have one more thing to share after winning the $4 million jackpot on Lotto Super 7. They were on their way to bingo when they stopped at a lottery retail location to check their ticket. Sheryle planned to join Barbara in retirement, while Barbara intended to use the winnings to pay off the mortgage and renovations and do some travelling.

SEEING IS BELIEVING

Dorothy Lois Lee of Vernon needed to double-check her ticket before she could believe it. Initially checking on bclc.com, Dorothy made a trip to her neighbourhood lottery retailer to confirm that she had indeed won the BC/49 grand prize of $2 million. Plans for the windfall involved putting it in the bank while taking some time to think and plan.

THREE TIMES LUCKY

After triple-checking their numbers in the Prince George newspaper, on bclc.com and at the Lottery Ticket Centre in Save-On-Foods where they had purchased the ticket, Tom and Leona Alcock were finally convinced that they had won the Lotto Super 7 jackpot. They planned to use the $12 million for a cross-Canada honeymoon and among other things, invest, and purchase a miniature horse and new vehicle.

WINDFALL FOR CO-WORKERS

A group of 10 lucky employees from the Comox Valley Home Depot had a chance to renovate their bank accounts with a little help from Lotto 6/49. Each employee netted about $446,000 from the $4.46 million win, enough to pay some debt and help family. The group has contributed to an office lottery pool for about two and a half years. Most planned to continue at their jobs.

HAPPY HANDYMAN

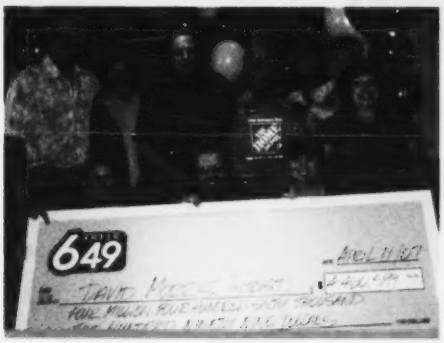
Although he had checked the winning numbers several times, Sidney resident Deighton King was unable to convince his wife that he had won $75,000 playing BC/49 on PlayNow on bclc.com. Even a printout of the draw results would not change her mind. Finally, Deighton called BCLC to confirm the prize amount and this finally prompted his wife to shout in joy. The happy handyman planned to pay debt and complete home improvement projects.

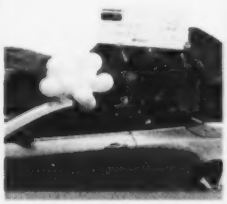
WINNING WORDS

When Prince George resident, Doris Latino, won $50,000 on SportsFunder Crossword, she planned to purchase a new wheelchair and other equipment for her son and share with family.

STRIKING GOLD

Hoping to win tickets to the Vancouver 2010 Olympic Winter Games Opening Ceremony, Liz Sullivan played SportsFunder Going for Gold, an Interactive game available exclusively through PlayNow on bclc.com. The Hope resident won the top prize of $20,100. She was so excited that she took a picture of her computer screen and started spreading the news of her good fortune. Liz planned to share her windfall with her children, buy a new laptop and pay bills.





Corporate Citizenship

BCLC recognizes the importance of giving back to communities in British Columbia not only through generating net income for Government public service programs, but also through demonstrating good corporate citizenship.

We endeavour to support a wide range of worthwhile causes and in fiscal 2007/08, BCLC sponsored festivals, tournaments, awards and charitable banquets, fundraisers, the arts, horse racing, and civic and sport events.

SportsFunder was a sponsor for many high-profile events, including the World Junior A Challenge, BC Winter Games, Coaches for Kids Charity Golf Classic and Canada Cup.

Merritt Mountain Music Festival, Alberni Fall Fair, Jack Webster Awards, Junior Achievement Business Laureates of BC Gala Dinner and the United Way National Conference represent a cross-section of events that BCLC sponsored throughout the province.

BCLC also supports business events such as excellence awards, annual general meetings, workshops and conferences. To foster relationships with our municipal partners, we attend a series of local government conferences each spring.

Our long history of giving back to the communities where we work and live includes providing financial sponsorship, expertise, in-kind involvement or merchandise packages.

In the Kamloops community, home to our head office, BCLC has maintained a strong presence as an active and prominent corporate sponsor since 1985. In fiscal 2007/08, BCLC provided support to a number of community organizations and events, including the Kamloops Art Gallery, Western Canada Theatre, Kamloops Symphony, British Columbia Wildlife Park, Canadian Pacific Holiday Train, Music in the Park, and the Rotary Invitational Golf Tournament.

Employee-driven committees and campaigns are entrenched in BCLC's culture, and our leadership team supports the efforts and time commitment it takes to carry out these activities.

Throughout the year, employees raise thousands of dollars for worthwhile causes such as Christmas charities, Salvation Army, United Way and the food bank. Employee enthusiasm was so high after the first year of being involved in the United Way Day of Caring that we participated for a second time in 2007. Kamloops employees spent the day at a seniors' assisted living centre constructing slabs for garden structures. BCLC employees have also raised $99,000 through 24 years of participation in the Easter Seals 24 Hour Relay.

BCLC's Green Committee is raising awareness and introducing initiatives at a grassroots level. The goals and mission of the committee align with BCLC's core values of integrity and social responsibility.

During 2007/08, the Green Committee demonstrated our employees' innovative spirit through hosting electronic waste days where, in addition to the collection of corporate electronic waste, employees were encouraged to bring unwanted personal electronic equipment to work where it was packaged and transported to a local site for recycling. The sale of glass tableware to employees resulted in a substantial reduction in disposable products. Other initiatives include ensuring that, where possible, requests for proposals and contracts contain clauses regarding sustainable practices.

BCLC proudly acknowledges the good work and community spirit of our employees whose involvement in volunteer organizations and associations extend beyond the work place. From offering to chair committees to rolling up their sleeves to serve as front-line volunteers, our employees share a vested interest in effecting positive change in our communities.

BCLC'S COMMITMENT

BCLC takes its commitment to social responsibility seriously and aims to strike a balance in everything we do. From the development of new, innovative games and products to the opening of full-service gaming facilities, BCLC carefully considers the impact of these decisions on players and on the public.

Gambling is an entertainment option available to adults 19 years and older. The majority of adult players gamble responsibly, but BCLC recognizes that a small proportion of the population is prone to problem gambling behaviour. A 2007 Ipsos Reid Public Affairs problem gambling prevalence study confirmed that the overall prevalence of problem gambling remained unchanged from 2002 to 2007, with an estimated 4.6% of adults in British Columbia considered moderate or severe problem gamblers.

PARTNERSHIPS

BCLC and Government believe in a shared approach to encouraging responsible play practices and mitigating problem gambling. Each year, a portion of BCLC's net income is distributed to Government's Problem Gambling Program (www.bcresponsiblegambling.ca/problem), managed by Gaming Policy and Enforcement Branch (GPEB). The Program offers a toll-free 24-hour Help Line (1-888-795-6111) with information on problem gambling and referrals for free counselling. In fiscal 2007/08, Government allocated $7.0 million to the program.

The B.C. Partnership for Responsible Gambling (www.bcresponsiblegambling.ca) was established by BCLC, GPEB, gaming service providers and local governments and works to reduce the incidence of problem gambling, reduce the harmful impacts of excessive gambling and ensure the delivery of gambling in a manner that encourages responsible gambling and healthy choices.

BCLC co-sponsored the Annual Responsible Gambling Forum in November where Youth Gambling and Prevention was the focus. Cutting-edge research on British Columbia's gaming industry was presented along with the finding that parents play a role in shaping youth attitudes toward gambling. The forum identified youth strategies to provide direction for the development of communications, support materials, services and programs to engage parents as partners.

BCLC is a founding and active member of the Canadian Partnership for Responsible Gambling, a national body that provides a forum for sharing information about best practices in the responsible gambling field across Canada and around the world.

RESPONSIBLE PLAY INFORMATION CENTRES

Responsible Play Information Centres (RPICs) were developed to promote healthy gambling behaviours through player education and support. Designed as interactive kiosks located on or near the gaming floor, players can test their knowledge of gambling or watch a slot tutorial to learn how a slot machine and random number generator work.

Centres provide information about our games and products and the risks associated with gambling, including:

- odds of winning;
- how to play BCLC games;
- responsible play strategies;
- gambling myths and facts;
- problem gambling risk factors; and
- support and referral information for problem gambling.

At casinos, Responsible Gambling Officers (RGOs) are on hand to provide responsible play education and are trained to respond to customers in distress and provide referral to professional treatment service. All RPICs include electronic Self-Service Terminals, a valuable responsible gambling resource for players that allows players to access, explore and interact with responsible play and problem gambling information on their own.

During fiscal 2007/08, BCLC worked with our gaming service providers and GPEB to significantly increase the number of RPICs across the province, resulting in 16 new installations. Centres are now located in seven casinos, two racetrack casinos and 12 community gaming centres. BCLC plans to install centres in all commercial gaming facilities across the province.

ART

BCLC implemented an Appropriate Response Training (ART) program during fiscal 2004/05. The purpose is to provide gaming industry employees with a better understanding of how to respond to a player showing signs of distress. The program focuses on increasing awareness of concerning behaviour, respecting a player's right to privacy and providing gaming information and referral when asked for help.

A pilot ART program for lottery retailers commenced in March 2007, resulting in the addition of ART to the lottery retailer training program. Online ART programs are available for casino, bingo and community gaming centre employees. Almost 1,600 gaming industry employees were trained during fiscal 2007/08, while more than 6,000 employees have received training in the past three years.

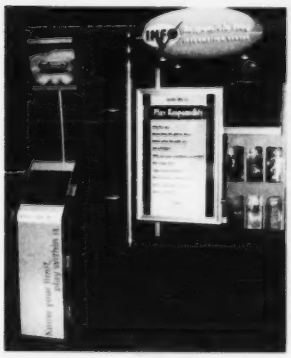
VOLUNTARY SELF-EXCLUSION

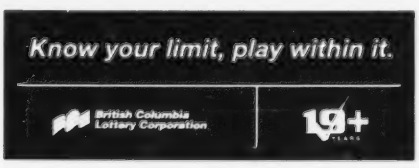
BCLC's Voluntary Self-Exclusion program is available to players who frequent casinos, commercial bingo halls and community gaming centres and PlayNow on bclc.com. Individuals can choose to self-exclude from PlayNow or from facilities that have slot machines or bingo for a period of six months, one year, two years or three years.

STANDARDS, PRACTICES

BCLC's commitment to social responsibility extends beyond established programs and new initiatives to smaller, everyday practices that increase player awareness and knowledge:

- The responsible play message, "Know your limit, play within it," is included on our point-of-sale materials.
- Product information includes the odds of winning.
- Information about percent payout on slot machines is available on bclc.com.
- Our products carry the Problem Gambling Help Line number (1-888-795-69111).
- Laws concerning the legal age to participate in gaming in British Columbia are upheld and extensively publicized.
- New gaming initiatives are developed with appropriate consideration for responsible play practices.
- Responsible Gambling Standards and Advertising and Marketing Standards for the B.C. Gambling Industry are followed.





Corporate Governance

Authority and Regulation

British Columbia's gaming industry is operated and regulated in accordance with the *Gaming Control Act* and under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

BCLC, as an agent of the Crown, has responsibility to conduct, manage and operate lottery, casino, and commercial bingo gaming, and eGaming.

The Gaming Policy and Enforcement Branch (GPEB), a branch of the Ministry of Public Safety and Solicitor General, regulates all aspects of the gaming industry in British Columbia. The branch develops and manages gaming policy, legislation and standards, licenses charitable gaming events and horse racing, registers gaming service providers and gaming workers, certifies gaming equipment, and investigates allegations of wrongdoing in all gaming sectors.

GPEB conducts charitable and commercial audits to ensure compliance, and manages distribution of Government's gaming proceeds, including community gaming grants to charitable and community organizations. The branch administers Government's Problem Gambling Program and ensures that policies and standards are in place to help minimize the harm from gambling and promote responsible gambling practices.

Governance Practices

Following an extensive review of its existing governance practices, and with the goal of adopting well-established best practices in corporate governance, BCLC's Board of Directors adopted a new governance framework in early 2003. This governance framework reflects the Corporation's mandate, vision, mission and strategic goals and includes terms of reference for the Board, Board Chair, President and Chief Executive Officer, Directors and all standing committees of the Board. The framework also includes all operating guidelines for the Board and its committees, and describes processes for strategic planning, succession planning and Board performance evaluations.

Government is committed to achieving and maintaining exemplary standards of governance and has established a best practices governance and accountability model. In 2005, Government released Best Practices Guidelines – BC Governance and Disclosure Guidelines for Governing Boards of Public Sector Organizations with a view to implementation by April 1, 2006. The guidelines establish broad provincial standards for board governance practices and provide for greater public accountability and transparency through standardized disclosure requirements.

BCLC complies with each of the disclosure requirements and by the end of April 2006 was fully compliant with the standards and guidelines. Information about BCLC's corporate governance is available at http://www.bclc.com/cm/aboutbclc/corporategovernance.htm.

The Board continuously reviews and evaluates BCLC's governance framework with a view to maintaining good corporate governance practices that are aligned with the Corporation's business and consistent with Government's guiding principles for corporate governance in Crown organizations. As part of its governance practices, the Board regularly evaluates its own performance with the objective of continuously improving performance and performing its oversight role in the most efficient and effective manner.

A key component of BCLC's governance framework is the Shareholder's Letter of Expectations, entered into between the Minister and the Corporation, which confirms the shared understanding of Government and BCLC on its corporate mandate, public policy issues, strategic priorities and performance expectations. The Shareholder's Letter of Expectations is reviewed and discussed with Government annually and updated as required.

Board of Directors

In accordance with the *Gaming Control Act*, a maximum nine-member Board is appointed for BCLC by order of Lieutenant-Governor in Council. The Board currently consists of nine directors, independent of management, who are chosen on the basis of their skills, expertise and experience.

The Board provides stewardship and ethical leadership by overseeing management of BCLC's affairs with a view to the best interests of the Corporation and the long-term interests of the shareholder, the Government of British Columbia.

The Board has a primary responsibility to foster BCLC's long-term success, to oversee the conduct of the Corporation's business and to supervise management who are responsible for day-to-day operations. The Board is responsible for participating with management in developing, and ultimately approving, BCLC's mission, vision and values, strategic and service plans, business plans, and operating and capital budgets.

The Board regularly receives information on financial results and monitors BCLC's performance against the approved strategic and operating plans. The Board is also responsible for setting and revising as necessary major policies, including policies related to human resources and compensation matters, financial and risk management issues, and stakeholder communications. Through the strategic planning process and the operation of committees, the Board also reviews the principal risks facing BCLC to ensure the strategies are implemented to manage such risks.

The Board met 11 times in fiscal 2007/08. In addition, as part of the strategic planning process, the Board held its annual strategic planning retreat with management with the focus of establishing BCLC's strategic direction for the upcoming years. Senior management attend all Board meetings. However, the Board also ensures its independence by meeting in camera at every Board meeting without management present.

STANDARD OF CONDUCT FOR DIRECTORS

In carrying out the Board's mandate, each director is responsible for acting honestly and in good faith with a view to the best interests of BCLC and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances. Upon appointment as a director and each year thereafter, directors are required to agree to conduct themselves in accordance with detailed Code of Conduct and Conflict of Interest Guidelines.

CHAIR

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

COMMITTEE STRUCTURE

To assist the Board in fulfilling its oversight responsibilities, the Board has established committees and has specifically set out the terms of reference for each committee. BCLC committees are responsible for advising and formulating recommendations to the Board.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, note findings and make recommendations to the Board.

STANDING COMMITTEES

**as at March 31, 2008*

Audit Committee

Chair Kathy Stevenson
Members: Arthur Willms, John Bell[1], David Gillespie
Met nine times in fiscal 2007/08

Liaises between the external and internal auditors and the Board.

Oversees the review of BCLC's financial operations by the external auditors and makes recommendations to the Board with respect to approval of audited financial statements and quarterly reports.

Reviews the financial information that will be provided to Government and the public.

Oversees the review of BCLC's information systems, risk management and internal controls to obtain reasonable assurance that such systems are operating effectively to produce accurate, appropriate and timely management and financial information.

Governance and Corporate Social Responsibility Committee

Chair: David Gillespie
Members: Arthur Willms, Tazeem Nathoo, Walter Gray[2]
Met two times in fiscal 2007/08

Provides focus on corporate governance to enhance BCLC's performance.

Implements the evaluation process for the Board and makes recommendations regarding Board effectiveness.

Oversees the development of a long-term Board composition and succession plan and leads the process for developing potential director criteria.

Reviews, monitors and makes recommendations regarding the orientation and ongoing development of directors.

Oversees BCLC's corporate social responsibility.

Human Resources and Compensation Committee

Chair: Tazeem Nathoo
Members: Neil McDonnell, Eric Sorensen[3]
Met seven times in fiscal 2007/08

Examines BCLC's strategies and practices that relate to human resource and compensation matters and succession planning issues, and provides advice on these matters to the Board for consideration.

Oversees matters related to the compensation and performance assessment of the President and CEO.

Reviews management's succession plans, staff resourcing allocation plans, and staff development and training programs with a view to enhancing a performance-based culture.

Marketing and Sponsorship Committee

Chair: Neil McDonnell[4]
Members: Walter Gray[5], Arthur Willms[6], Eric Sorensen[3]
Met two times in fiscal 2007/08

Provides support to the Board during strategic planning process with respect to the marketing components of the strategic plan.

Reviews the overall marketing and sponsorship strategies and guidelines that govern BCLC's role on brands and sponsorships.

Monitors BCLC's performance against the marketing strategies and guidelines.

Ex-officio members of all committees:

The Chair and President and CEO are ex-officio members of all Board committees.

Notes:

[1]Note: John Bell resigned from the Board June 8, 2007.

[2]Note: Walter Gray appointed member of the Governance and Corporate Social Responsibility Committee effective January 24, 2008.

[3]Note: Eric Sorensen resigned from the Board December 31, 2007.

[4]Note: Neil McDonnell appointed Chair of the Marketing and Sponsorship Committee effective January 24, 2008.

[5]Note: Walter Gray appointed member of the Marketing and Sponsorship Committee effective January 24, 2008.

[6]Note: Arthur Willms appointed member of the Marketing and Sponsorship Committee effective January 24, 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis reviews the financial condition and results of operation of BCLC for the fiscal year ended March 31, 2008 and should be read in conjunction with the Corporation's audited financial statements.

FINANCIAL OVERVIEW

FISCAL YEARS ENDED MARCH 31 ($ IN MILLIONS)	2003/04 ACTUAL	2004/05 ACTUAL	2005/06 ACTUAL	2006/07 ACTUAL	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR	2008/09 TARGET	2009/2010 TARGET	2010/2011 TARGET
REVENUE											
Lottery	$ 960.4	$ 938.0	$ 967.4	$ 997.4	$ 976.9	$ 1,025.0	$ (48.1)	$ (20.5)	$ 1,008.0	$ 1,037.0	$ 1,063.0
Casino	733.4	892.9	1,085.3	1,208.9	1,322.1	1,240.0	82.1	113.2	1,400.0	1,450.0	1,510.0
Bingo	195.7	196.5	208.0	218.9	260.2	230.0	30.2	41.3	240.0	280.0	290.0
	1,889.5	2,027.4	2,260.7	2,425.2	2,559.2	2,495.0	64.2	134.0	2,648.0	2,767.0	2,863.0
EXPENDITURES											
Lottery	671.5	653.2	694.2	713.9	713.0	737.5	24.5	0.9	755.4	777.6	792.2
Casino	315.1	377.6	463.7	510.3	560.3	538.7	(21.6)	(50.0)	607.7	641.4	666.9
Bingo	175.3	177.7	180.1	182.2	197.0	185.8	(11.2)	(14.8)	174.9	188.0	193.9
	1,161.9	1,208.5	1,338.0	1,406.4	1,470.3	1,462.0	(8.3)	(63.9)	1,538.0	1,607.0	1,653.0
NET INCOME											
Lottery	288.9	284.8	273.2	283.5	263.9	287.5	(23.6)	(19.6)	252.6	259.4	270.8
Casino	418.3	515.3	621.6	698.6	761.8	701.3	60.5	63.2	792.3	808.6	843.1
Bingo	20.4	18.8	27.9	36.7	63.2	44.2	19.0	26.5	65.1	92.0	96.1
	$ 727.6	$ 818.9	$ 922.7	$1,018.8	$ 1,088.9	$ 1,033.0	$ 55.9	$ 70.1	$ 1,110.0	$ 1,160.0	$ 1,210.0
Profit Margin	38.5%	40.4%	40.8%	42.0%	42.6%	41.4%	1.2%	0.6%	41.9%	41.9%	42.3%
Debt	–	–	–	–	–	–	–	–	–	–	–
Capital Expenditures	$ 49.0	$ 93.5	$ 82.9	$ 43.9	$ 60.5	$ 85.0	$ 24.5	$ (16.6)	$ 123.9	$ 115.8	$ 117.3
FTEs	560	569	575	596	638	633	(5)	(42)	784	798	778

Fiscal 2007/08 represented a record year for BCLC, with the achievement of new levels for both revenue and net income. With total gaming revenue of $2.6 billion, BCLC surpassed last year's revenue by $134.0 million and budget by $64.2 million. Highlights during the year included the introduction of seven new community gaming centres and the early openings of Hastings Racetrack Casino and Starlight Casino. Revenue contributions by casinos and bingo facilities, including community gaming centres, were partially offset by lower than expected lottery performance. BCLC's lottery business unit continued to introduce practices that focused on the player, incorporating recommendations from the British Columbia Ombudsman report and a number of audits. This required significant resources and capacity to implement and, as a result, several new games were postponed.

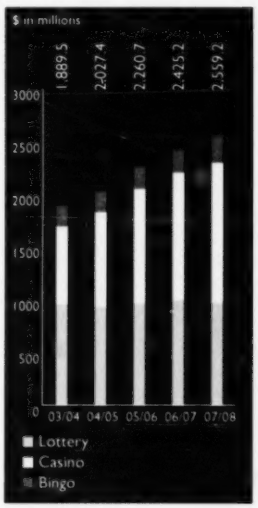
Direct costs of $1.2 billion were $16.1 million greater than budget and $44.5 million greater than the previous fiscal year. Most of the variance is attributable to commissions, which are a direct consequence of higher than budgeted revenues in the casino and bingo business units.

At $226.9 million, total operating costs were $7.8 million less than budget and $19.4 million greater than the previous fiscal year. Cost savings in advertising, marketing, corporate communications, and cost of premises were more than offset by additional expenditures in salaries and benefits, professional fees, equipment and supplies. Much of this is directly related to the costs required to support Player First and other initiatives, which accounted for $6.7 million of total administrative costs. As a result of lower than anticipated capital spending, amortization was $4.1 million below budget. A reduction in GST from 6% to 5%, lower than expected capital spending, and a GST tax recovery resulted in overall taxes being $4.8 million less than budget.

At $1.089 billion, net income exceeded budget by $55.9 million and the previous fiscal year by $70.1 million. Strong revenue performance, a shift in product mix to lower commission games and operational cost savings resulted in BCLC exceeding the billion dollar milestone in net income.

BCLC remits its net income to Government on a monthly basis and has no retained earnings.

Gaming Revenue Trends



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					2007/08			VARIANCE FROM PRIOR YEAR	2008/09 TARGET	2009/2010 TARGET	2010/2011 TARGET
					ACTUAL	BUDGET	VARIANCE				
REVENUE											
Lottery	$ 960.4	$ 938.0	$ 967.4	$ 997.4	$ 976.9	$ 1,025.0	$ (48.1)	$ (20.5)	$ 1,008.0	$ 1,037.0	$ 1,063.0
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Profit Margin	38.5%	40.4%	40.8%	42.0%	42.6%	41.4%	1.2%	0.6%	41.9%	41.9%	42.3%
Debt	–	–	–	–	–	–	–	–	–	–	–
Capital Expenditures	$ 49.0	$ 93.5	$ 82.9	$ 43.9	$ 60.5	$ 85.0	$ 24.5	$ (16.6)	$ 123.9	$ 115.8	$ 117.3
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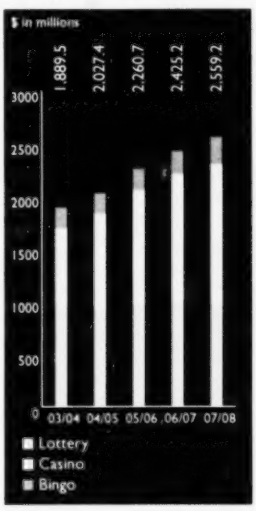
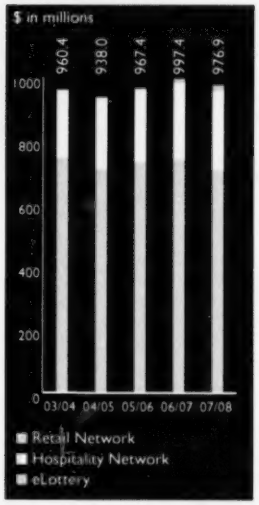
Gaming Revenue Trends



Lottery Revenue Trends

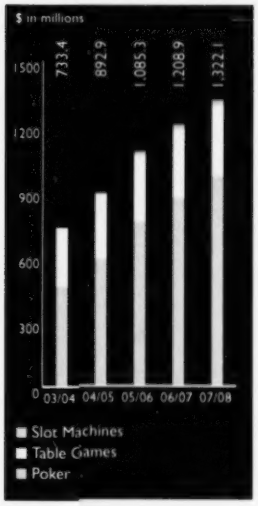


LOTTERY OPERATIONS

PRODUCTS ($ IN MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR
Revenue								
Retail Network	$ 747.0	$ 712.4	$ 733.0	$ 742.5	$ 709.7	$ 733.2	$ (23.5)	$ (32.8)
Hospitality Network	213.4	225.3	229.2	240.6	248.5	266.8	(18.3)	7.9
eLottery	–	0.3	5.2	14.3	18.7	25.0	6.3)	4.4
	960.4	938.0	967.4	997.4	976.9	1,025.0	(48.1)	(20.5)
Direct Expenses	602.3	581.4	613.8	628.9	621.8	644.7	22.9	7.1
Operating Expenses	69.2	71.8	80.4	85.0	91.2	92.8	1.6	(6.3)
Net Income	**$ 288.9**	**$ 284.8**	**$ 273.2**	**$ 283.5**	**$ 263.9**	**$ 287.5**	**$ (23.6)**	**$ (19.7)**
Lottery Retailers	4,513	4,490	4,397	4,321	4,033			
Lottery Terminals	4,072	4,082	4,081	4,074	3,969			

Lottery revenues of $976.9 million were $48.1 million less than budget and $20.5 million less than the previous fiscal year. Lottery revenues markedly underperformed both budget and the previous year. Several large jackpot rolls for Lotto 6/49 helped it exceed budgeted revenues, and Sports Action also outperformed expectations; however, lower than planned revenues from other products offset these gains. BCLC continued to introduce practices that focus on the player, incorporating recommendations from the British Columbia Ombudsman report and a number of audits. Implementation required significant resources and capacity, which contributed to the postponement of several new lottery games. This was also noticeable in eLottery where revenues, despite being $4.4 million greater than last year, were still $6.3 million under plan.

Casino Revenue Trends



CASINO OPERATIONS

PRODUCTS ($ IN MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR
Revenue								
Slot Machines	$ 463.5	$ 588.6	$ 762.3	$ 869.9	$ 973.9	$ 912.5	$ 61.4	$ 104
Table Games	269.9	298.9	308.4	318.2	325.8	307.0	18.8	7.6
Poker	–	5.4	14.6	20.8	22.4	20.5	1.9	1.6
	733.4	892.9	1,085.3	1,208.9	1,322.1	1,240.0	82.1	113.2
Direct Expenses	252.3	307.3	369.9	408.9	450.4	422.9	(27.5)	(41.5)
Operating Expenses	62.8	70.3	93.8	101.4	109.9	115.8	5.9	(8.5)
Net Income	**$ 418.3**	**$ 515.3**	**$ 621.6**	**$ 698.6**	**$ 761.8**	**$ 701.3**	**$ 60.5**	**$ 63.2**
Casinos	20	19	18	17	17			
Slot Machines	3,832	6,307	7,149	6,951	7837			
Tables	377	419	454	464	481			

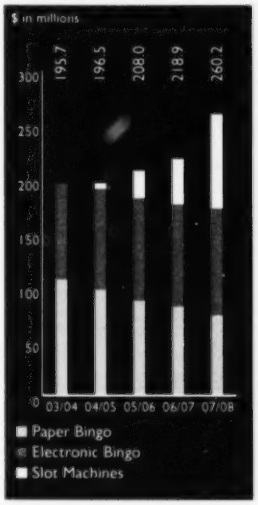
Casino revenues of $1.3 billion were $82.1 million greater than budget and $113.2 million greater than the previous fiscal year. The completion of slot machine conversion and refresh programs early in the fiscal year, upgrades to Fraser Downs and Treasure Cove casinos, the early opening of Starlight Casino, and the opening of Hastings Racetrack Casino combined to produce record revenues for the casino business unit. All game areas (slot machines, table games and poker) exceeded both plan and the previous fiscal year's results.

BINGO OPERATIONS

KEY PRODUCTS (IN $ MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE	VARIANCE FROM PRIOR YEAR
Revenue								
Paper Bingo	$ 107.5	$ 98.2	$ 88.0	$ 82.7	$ 74.3	$ 78.0	$ (3.7)	$ (8.4)
Electronic Bingo	88.2	93.5	94.9	94.5	99.2	92.0	7.2	4.7
Slot Machines	0.0	4.8	25.1	41.7	86.7	60.0	26.7	45.0
	195.7	196.5	208.0	218.9	260.2	230.0	30.2	41.3
Direct Expenses	160.2	160.1	162.1	161.1	171.2	159.7	(11.5)	(10.1)
Operating Expenses	15.1	17.6	18.0	21.1	25.8	26.1	0.3	(4.7)
Net Income	**$ 20.4**	**$ 18.8**	**$ 27.9**	**$ 36.7**	**$ 63.2**	**$ 44.2**	**$ 19.0**	**$ 26.5**
Commercial Halls	32	27	24	20	15			
Independent Operators	20	16	15	15	15			
Community Gaming Centres	–	4	5	6	12			
Electronic Bingo Terminals	2,750	3,244	3,240	3,324	4,105			
Slot Machines	–	253	355	497	1,105			

Bingo revenues of $260.2 million were $30.2 million greater than budget and $41.3 million greater than the previous fiscal year. The addition of seven new community gaming centres and the addition of 600 slot machines were the primary drivers of this year's strong revenue growth. All products, with the exception of traditional paper bingo and linked bingo, exceeded revenue targets.

Bingo Revenue Trends



CAPITAL SPENDING

CAPITAL RESULTS (IN $ MILLIONS)	2003/04	2004/05	2005/06	2006/07	2007/08 ACTUAL	2007/08 BUDGET	2007/08 VARIANCE
Lottery	$ 11.1	$ 25.1	$ 21.6	$ 9.0	$ 12.0	$ 23.0	$ 11.0
Casino	29.0	49.5	53.0	22.0	32.4	44.5	12.1
Bingo	2.7	13.7	4.1	7.2	12.0	10.5	(1.5)
Corporate	6.2	5.2	4.2	5.7	4.1	7.0	2.9
	$ 49.0	$ 93.5	$ 82.9	$ 43.9	$ 60.5	$ 85.0	$ 24.5

Capital spending was $24.5 million under budget and $16.6 million greater than the previous fiscal year. The opening of several new community gaming centres led to a small negative variance in the bingo business unit, while shifting priorities because of a focus on Player First led to project delays in other areas. While more than $5 million was spent directly to improve systems and processes that support the security and integrity of our lottery prize payout systems, this year was primarily a planning year that will set the stage for future investments in this area. Capital expenditures will also be incurred to upgrade bingo, casino, and back office support systems in order to provide a high level of internal control and integrity.

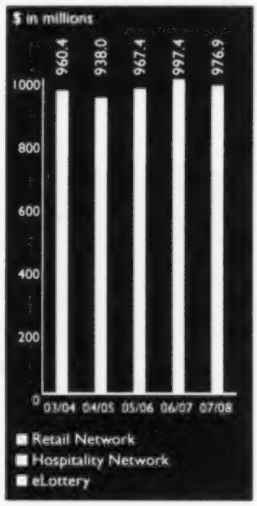
Capital Spending

B.C. LOTTOTECH (INTERNATIONAL) INC.

BCLC's consolidated statements include B.C. Lottotech International, a wholly owned subsidiary of BCLC. B.C. Lottotech's primary purpose is to purchase capital assets that are leased back to BCLC and the major expense is the amortization on the capital acquisitions. The management and oversight of B.C. Lottotech is consolidated within BCLC operations and the Board reviews and approves capital purchases through the annual business planning and budget process.

REVENUE ($ IN THOUSANDS)	2007/08	2006/07
Lease Revenue	$ 60,973	$ 60,821
Expenses		
Amortization	62,558	60,674
Other Expenses (Income)	(418)	(697)
	62,140	59,977
Net Income	**$ (1,167)**	**$ 844**

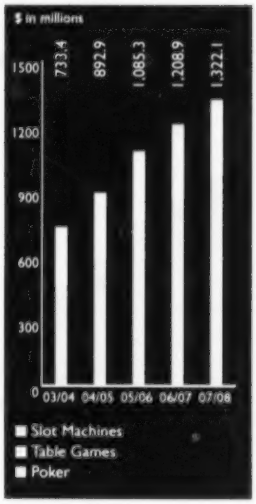
Lottery Revenue Trends



Revenue								
Retail Network	$ 747.0	$ 712.4	$ 733.0	$ 742.5	$ 709.7	$ 733.2	$ (23.5)	$ (32.8)
Hospitality Network	213.4	225.3	229.2	240.6	248.5	266.8	(18.3)	7.9
eLottery	–	0.3	5.2	14.3	18.7	25.0	6.3)	4.4
	960.4	938.0	967.4	997.4	976.9	1,025.0	(48.1)	(20.5)
Direct Expenses	602.3	581.4	613.8	628.9	621.8	644.7	22.9	7.1
Operating Expenses	69.2	71.8	80.4	85.0	91.2	92.8	1.6	(6.3)
Net Income	**$ 288.9**	**$ 284.8**	**$ 273.2**	**$ 283.5**	**$ 263.9**	**$ 287.5**	**$ (23.6)**	**$ (19.7)**
Lottery Retailers	4,513	4,490	4,397	4,321	4,033			
Lottery Terminals	4,072	4,082	4,081	4,074	3,969			

Lottery revenues of $976.9 million were $48.1 million less than budget and $20.5 million less than the previous fiscal year. Lottery revenues markedly underperformed both budget and the previous year. Several large jackpot rolls for Lotto 6/49 helped it exceed budgeted revenues, and Sports Action also outperformed expectations; however, lower than planned revenues from other products offset these gains. BCLC continued to introduce practices that focus on the player, incorporating recommendations from the British Columbia Ombudsman report and a number of audits. Implementation required significant resources and capacity, which contributed to the postponement of several new lottery games. This was also noticeable in eLottery where revenues, despite being $4.4 million greater than last year, were still $6.3 million under plan.

Casino Revenue Trends



Revenue								
Slot Machines	$ 463.5	$ 588.6	$ 762.3	$ 869.9	$ 973.9	$ 912.5	$ 61.4	$ 104
Table Games	269.9	298.9	308.4	318.2	325.8	307.0	18.8	7.6
Poker	–	5.4	14.6	20.8	22.4	20.5	1.9	1.6
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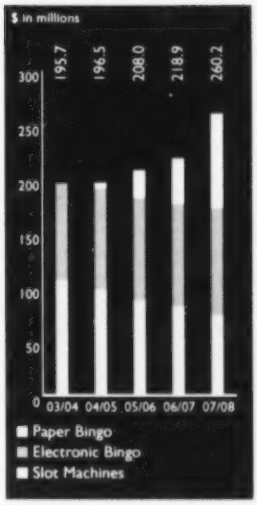

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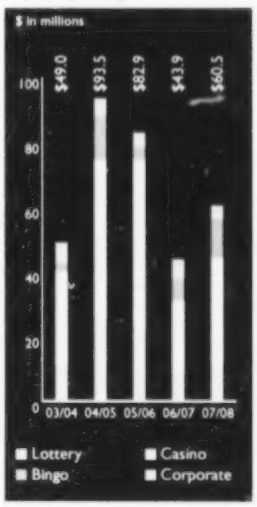
Capital Spending



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Lease Revenue	$ 60,973	$ 60,821
Expenses		
Amortization	62,558	60,674
Other Expenses (Income)	(418)	(697)
	62,140	59,977
Net Income	**$ (1,167)**	**$ 844**

Canadian Gaming Comparisons

In British Columbia, Government's gaming policy promotes responsible play. BCLC's revenue and net income growth has come primarily from the casino business and the upgrading of commercial bingo halls to community gaming centres with slot machines and other amenities. BCLC per capita lottery revenue remains in the top three in Canada and in the top 15 of all 53 North American lottery jurisdictions.

Adult Population	3,453,000	2,595,086	749,161	898,069	9,909,985	6,116,825
Lottery	$ 453,913,000	$ 269,111,805	$ 72,013,749	$ 90,658,088	$ 1,191,995,000	$ 877,491,000
Casino	$ 1,208,891,000	$ 1,160,714,000	$ 226,363,592	$ 145,327,716	$ 3,501,313,000	$ 758,224,000
Video Lottery	$ -	$ 876,281,000	$ 233,615,000	$ 320,504,335	$ -	$ 1,097,917,000
Bingo	$ 111,558,000	$ 12,072,000	$ 20,711,631	$ 4,480,840	$ 19,466,000	$ 39,370,000
Horse Racing	$ 48,070,000	$ 40,841,249	$ 3,051,595	$ 7,781,954	$ 255,176,531	$ 40,598,095
Total	**$ 1,822,432,000**	**$ 2,359,020,054**	**$ 555,755,567**	**$ 568,752,933**	**$ 4,967,950,531**	**$ 2,813,600,095**

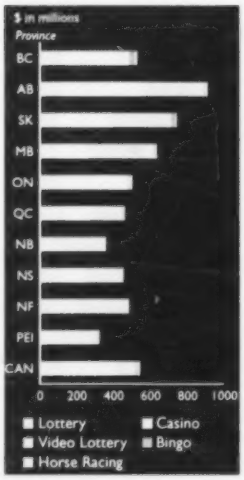
Adult Population	601,685	749,228	411,060	108,363	25,592,462
Lottery	$ 76,065,808	$ 94,373,607	$ 80,121,337	$ 14,572,244	$ 3,220,302,638
Casino	$ -	$ 89,405,006	$ -	$ -	$ 7,090,238,682
Video Lottery	$ 137,872,321	$ 151,303,684	$ 117,475,596	$ 18,348,939	$ 2,953,316,945
Bingo	$ -	$ 986,841	$ -	$ -	$ 209,225,081
Horse Racing	$ 1,393,094	$ 2,752,226	$ 348,988	$ 1,91[illegible]8	$ 401,931,053
Total	**$ 215,331,222**	**$ 338,821,364**	**$ 197,945,921**	**$ 34,837,971**	**$ 13,875,014,399**

Sources: Annual reports, lottery organizations, Statistics Canada
BCLC does not manage horse racing in British Columbia. The horse racing revenues for British Columbia are provided by the Canadian Pari-Mutuel Agency and are for comparative purposes only; they are not consolidated into the financial statements of BCLC. For an explanation of the net horse racing betting fees collected by BCLC on behalf of Government, please see note 10 of BCLC's audited financial statements.

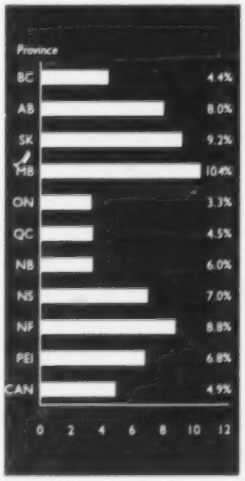
Lottery Terminals	4,074	2,332	785	837	8,862	8,585	969	1,240	1,130	187	29,001
Slot Machines	7,448	10,232	2,115	2,125	22,381	5,983	-	1,051	-	210	51,545
Casino Table Games	464	550	93	74	538	208	-	53	-	4	1,984
VLTs	-	5,986	3,929	5,586	-	12,779	2,628	2,835	2,478	340	36,561
Electronic Bingo Terminals	3,234	1,625	-	752	547	-	-	51	-	-	6,209
Total gaming devices	**15,220**	**20,725**	**6,922**	**9,374**	**32,328**	**27,555**	**3,597**	**5,230**	**3,608**	**741**	**125,300**
Gaming Devices per 1,000 Population	**4.4%**	**8.0%**	**9.2%**	**10.4%**	**3.3%**	**4.5%**	**6.0%**	**7.0%**	**8.8%**	**6.8%**	**4.9%**

Over the next fiscal year, BCLC plans to explore benchmarking used in gaming and other industry in order to develop additional benchmarks that will provide more information to Government and the public on BCLC's performance.

Net Gaming Expenditure by Province



Electronic Gaming Devices per thousand adult population



Notes

1. Net Gaming Expenditures
   Amount spent by players after deducting money returned as prizes, for all forms of gaming
2. Information Sources
   a) Population represents Statistics Canada estimate of the population (18 and over) as of July 1, 2006. Estimates current as of December 2006
   b) Gaming information
   - British Columbia Lottery Corporation
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   - Saskatchewan Liquor and Gaming Authority
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   - Ontario Lottery and Gaming
   - Alberta Liquor and Gaming Commission
   - Manitoba Lotteries Corporation
   - Loto-Québec
   - Sask Sport Inc.
   - Nova Scotia Gaming Corporation

Canadian Gaming Comparisons

Commercial Net Gaming Expenditures by Province, Net of Prizes as at March 31, 2007

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Total Net Expenditure

	BC	AB	SK	MB	ON	QC
Adult Population	3,453,000	2,595,086	749,161	898,069	9,909,985	6,116,825
Lottery	$ 453,913,000	$ 269,111,805	$ 72,013,749	$ 90,658,088	$ 1,191,995,000	$ 877,491,000
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Electronic Gaming Devices in Canada as at March 31, 2007

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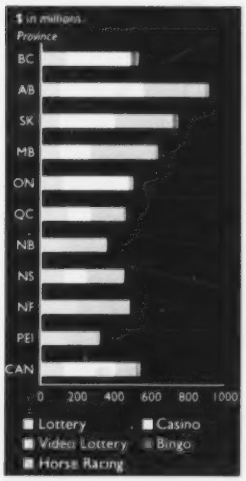

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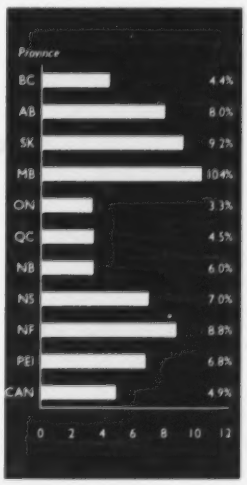

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SHAREHOLDER'S LETTER OF EXPECTATIONS

The Government of British Columbia establishes the legislative, regulatory and policy framework under which BCLC conducts and manages gaming. BCLC reports to the Minister, Public Safety and Solicitor General through our Board of Directors. We comply with policies, directives and standards issued by the Minister as well as by the regulator, the Gaming Policy and Enforcement Branch (GPEB).

BCLC optimizes our financial performance within the gaming and social policy framework established by Government, ensuring our games and services are provided in a socially responsible manner consistent with BCLC's responsibilities as reflected in British Columbia's *Responsible Gambling Strategy*.

A key component of BCLC's governance framework is the *Shareholder's Letter of Expectations*, an agreement between the Minister on behalf of Government and the Board of BCLC. This document establishes BCLC's mandate and identifies Government's strategic priorities and performance expectations for BCLC. The direction from Government and the status of BCLC's actions to implement this direction is shown in the following chart.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
Optimize the Corporation's financial performance within the gaming and social policy framework established by the Shareholder.	Within the gaming and social policy framework established by Government, BCLC achieved $2,559 million in revenue and $1,089 million in net income in 2007/08 and is forecasting $2,648 million in revenue and $1,110 million in net income in 2008/09.
Improve the performance of casino, bingo, lottery and eGaming through products and approaches in response to customer and marketplace demand, consistent with the Corporation's mandate.	BCLC is forecasting net income growth through increased focus on the player. This includes upgrading and improving gaming facilities, developing new game innovations, improving player service and implementing operational efficiencies.
Ensure the Corporation's products and services are provided in a socially responsible manner and strengthen the Corporation's activities related to its social objectives in a manner that is consistent with the Province's Responsible Gambling Strategy and the Corporation's responsibilities reflected in that Strategy.	BCLC's responsible gaming activities are focused on our players and our service providers' facilities to ensure that we jointly: ▪ reduce the incidence of problem gambling; ▪ reduce the harmful impacts of excessive gambling; and ▪ deliver gaming in a manner that encourages responsible gambling and healthy choices.
Implement the recommendations made by the British Columbia Ombudsman in May 2007 related to the Corporation.	BCLC continues to implement the British Columbia Ombudsman's recommendations, which will enhance the fairness, integrity, transparency, security and customer focus of the lottery system. It will take until 2009 to fully implement all recommendations. BCLC issues quarterly reports on our progress.
Implement recommendations made by Deloitte and Touche LLP (Deloitte) in their independent audit of lottery operations in British Columbia undertaken in 2007 as directed by the Shareholder.	BCLC continues to implement the Deloitte recommendations to further enhance BCLC's integrity and transparency.
Notify the Shareholder of BCLC's resolution of any significant issues related to the implementation of recommendations of either the British Columbia Ombudsman or Deloitte.	BCLC is working closely with our Shareholder as we implement these recommendations to ensure a shared understanding of any issues. Significant costs and workload associated with implementing the recommendations and increased regulatory, audit, compliance and enforcement activities will continue to be a challenge for the organization. BCLC and GPEB are meeting on a quarterly basis to enhance co-operation and co-ordination between the organizations, including the implementation of these recommendations.
Build public and key stakeholder trust/support by continuously improving the quality of service to customers and relationships with its service providers.	Building public and stakeholder trust and improving the quality of service to players are key strategies for BCLC. A senior player relations function has been established to lead this effort with BCLC's executive, and we are seeking ways to continuously improve our relationships with our lottery retailers and service providers.

GOVERNMENT DIRECTION	BCLC ALIGNMENT
Operate the business of BCLC in an efficient and effective manner for the benefit of its customers and the Shareholder.	BCLC's systems and processes will be upgraded over the next three years in order for us to continue to ensure the integrity of our games and services. A key challenge will be the culture change required to successfully implement business changes and entrench player focus.
Inform the Shareholder on a regular basis of any major changes occurring or likely to occur that may impact BCLC's achievement of its Service Plan targets either negatively or positively.	BCLC regularly notifies the Shareholder of any major changes occurring or likely to occur that may impact the achievement of our Service Plan targets.
Present a Strategic Plan for BCLC's Conduct and Management of Gaming to the Shareholder.	Based on direction and input from Government and the Board, BCLC presents a Strategic Plan to Government on an annual basis.
Comply with the Shareholder's requirements to make the public sector carbon neutral by 2010, including: accurately defining, measuring, reporting on and verifying the greenhouse gas emissions from BCLC's operations; implementing aggressive measures to reduce those emissions and reporting on these reduction measures and reduction plans; and offsetting any remaining emissions through investments in the Pacific Carbon Trust, which will invest in greenhouse gas reduction projects outside of BCLC's scope of operations. Encourage staff involvement in developing ideas and new solutions to meet Government's climate change objectives, including energy conservation programs and fleet and traffic management initiatives, and report on results achieved.	BCLC is developing carbon reduction plans that adhere to the Climate Action Secretariat's *Framework for Greenhouse Gas Measurement and Reporting: Guidance for Crown Corporations*. BCLC is determining our carbon emission data in anticipation of Government's provision of a computer system that will centralize this information. An employee committee is already engaged in developing recycling programs and environmentally sustainable behaviour at BCLC. Employees will be encouraged to participate further in the development of ideas and solutions.

RISK

BCLC faces risks specific to our business that could significantly impact our ability to conduct and manage gaming in British Columbia, and/or our ability to achieve the short- and long-term goals in our Service Plan. While risks cannot be eliminated, BCLC has developed strategies to minimize or mitigate risks.

BCLC has implemented a formal Enterprise Risk Management process that involves staff, our Executive, our Board of Directors and others to identify risks, on a semi-annual basis, that are affecting or may affect BCLC's business. Risk mitigation strategies are developed for the most significant risks, and actions to mitigate those risks are a key factor in business planning and resource decisions.

BCLC is also developing a risk tolerance framework to ensure that we not only identify and mitigate risks, but that we consciously determine our tolerance for risk by establishing key risk indicators and targets. In this way, BCLC can better understand the costs and benefits associated with various risk mitigation activities and better prioritize them. BCLC is also assessing the effectiveness of existing practices to minimize and manage these risks, and identifying changes to strengthen them if required.

Key risks that were identified in the Service Plan 2007/08-2009/10 as possible threats to the achievement of our goals and the results of BCLC's mitigation strategies are outlined below.

Market Sustainment and development risk

IMPACT AND LIKELIHOOD	RESULTS FOR 2007/2008
If BCLC cannot adapt, in a timely manner, to changes in the entertainment environment or market conditions, it could threaten BCLC's long-term viability. The inability to renew and sustain our products and/or brand could threaten the demand for BCLC products to the point that it may impair the company's ability to develop future revenues. The gaming industry is particularly vulnerable to these risks, as the player demand for traditional products decreases while the availability of other entertainment options increases. BCLC has concentrated our efforts in this regard on new product innovation balanced with social responsibility.	**Strategy 1: Transform and reinvent lotteries to a growth business.** BCLC concentrated our strategic efforts on building the lottery business through innovation in products, promotion and distribution. As a result of the British Columbia Ombudsman report and other audits, including GPEB and Deloitte, many of the programs previously intended to support this strategy were deferred or delayed to focus on the implementation of the resulting recommendations. The SportsFunder line of products was a significant focus of the increased sustainment of the lottery business. However, SportsFunder achieved $14.8 million in revenue, which was less than the target of $23.5 million. **Strategy 2: Develop eLottery as a viable business.** The eGaming business strategy targeted player acquisition, product innovation and value-added services for our players. During the year, five of the 20 planned new product offerings were launched on PlayNow on bclc.com. **Strategy 3: Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets.** BCLC continued to pursue our goal of developing a long-term sustainable casino and community gaming centre strategy in 2007/2008. Initiatives to support this strategy included the successful opening of Starlight Casino and the addition of 150 slot machines to Hastings Racetrack Casino, the replacement of 700 slot machines as part of the refresh program, and the opening of seven additional community gaming centres, which exceeded the target of five. **Strategy 4: Build player participation and loyalty by providing a fun and entertaining gaming experience.** BCLC has prioritized player satisfaction with our games, services and facilities as a key tactic in our continued ability to generate income. BC Gold player card memberships of 319,000 fell short of the targeted 400,000. This will continue as an ongoing strategy to ensure the continued development of this player base. During the fiscal year, BCLC replaced our network technology, moving 3,600 retailers to new Asymmetric Digital Subscriber Line (ADSL)-based network and completed development of a solution for 500 retailers outside of the ADSL coverage area to improve delivery and provide for future capacity in a secure and trusted manner.

Public acceptance risk

IMPACT AND LIKELIHOOD	RESULTS FOR 2007/2008
Without strong public support and acceptance, BCLC's ability to achieve our business and revenue objectives are placed at risk. Given that public policy often follows public opinion, an event that breaches the public trust could directly impact the operational programs supporting the Corporation's strategic initiatives.	Strategy 5: Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs. BCLC mitigates the likelihood and impact of such events through our strong focus on integrity in our products, highly regulated facilities and continued development of robust industry practices that promote responsible play. We are committed to taking immediate action against breaches to assure players that gaming in British Columbia remains a secure and safe entertainment option. However, we need a better understanding and delivery method to address the beneficiaries of gaming and responsible gambling concerns in order to design solutions that will yield a measurable improvement in increasing player awareness of responsible gambling activities. Work during the 2007/2008 fiscal year has yielded results through the installation of 16 new Responsible Play Information Centres in casino and community gaming centre facilities, and the implementation of a new three-year Responsible Gambling Strategy. Additionally, BCLC committed significant resources to complete 11 of 23 British Columbia Ombudsman recommendations and five of 36 Deloitte recommendations to ensure the safety and integrity of our lottery system. BCLC's primary focus is to regain public trust and confidence in the lottery business, and we will continue to make substantial investments in implementing the British Columbia Ombudsman and Deloitte recommendations as part of our Player First initiatives.

Employee engagement and insufficient skills and capacity risks

IMPACT AND LIKELIHOOD	RESULTS FOR 2007/2008
Significant changes in the labour market, such as shifting workforce demographics or the availability of technical skills, adversely affect BCLC's ability to attract and retain highly skilled and motivated employees. Our service providers, and the service industry in general, are having difficulty recruiting workers for gaming facilities and retail locations. BCLC is heavily reliant on technology and skilled workers and, as such, recognizes the need to focus on building resources to meet the complexity and integration needs of our business.	Strategy 6: Create a high-performance culture During the fiscal year, BCLC completed an enterprise-wide engagement survey, yielding feedback and assessments from which to base change. Although the engagement score of 44% did not meet the target of 60%, BCLC is committed to an ongoing program of continuous improvement and with the feedback provided by all levels of the organization is positioning to demonstrate leadership and culture change. BCLC was successful in hiring 149 new employees in a difficult job market for skilled positions to support the strategic objectives of the organization.

CAPACITY

In fiscal 2007/08, Player First was introduced to improve BCLC's lottery business. To support this initiative, BCLC identified 60 projects incorporating recommendations from the British Columbia Ombudsman report and other audits. This resulted in a substantial increase in demand for capacity and resources.

To meet the responsibilities of this new focus, as well as the goals previously determined in the Service Plan 2007/08-2009/10, BCLC undertook a major recruitment process during the first three quarters of the year, including hiring significantly more lottery security investigators. Recruitment during the last quarter focused on providing more resources to departments that offer support services, and replacements for employees who had left the Corporation.

Between April 1, 2007 and March 31, 2008, BCLC hired 149 new employees. Overall, a total of 232 positions were filled by both new employees and existing employees, with 69 of these being temporary and contract positions.

BCLC continues to find the recruitment of high-level, qualified candidates with specific skills challenging.

In fiscal 2007/08, BCLC also made major investments in our technology infrastructure through a significant change in network capability.

FISCAL 2007/08

Along with other Crown corporations, BCLC produces public Service Plans and Annual Reports to detail our business plans and our progress in achieving those plans. These plans include public financial information, consistent with the requirements of the *Budget Transparency and Accountability Act* and the *Financial Information Act*.

Within the overall framework of Government gaming policy and BCLC's vision and mission statements, BCLC's Board and senior management established three strategic goals to guide the organization in the achievement of our mandate.

To manage and direct performance against each of these goals, BCLC established specific strategies with associated performance measures and targets. These goals, strategies and performance measures form the framework that guides planning and decision making at all levels of the organization.

Data to evaluate progress in meeting BCLC's performance targets continues to be obtained from internal and external sources. Revenue and net income results are obtained from our audited financial statements. Other financial measures, including the operating cost ratio, are obtained from internal and public management reports.

BCLC contracts with external professional agencies to conduct surveys to assess our level of success in achieving public, player and employee performance targets. These agencies use statistical sampling and survey methodologies that can be relied upon with a high level of confidence. The responses are scored and reviewed against the targets BCLC has set. If we are doing well, we should be reaching our targets. If we are not doing well, with a rating below our target, we need to adjust the programs we are implementing and how we are delivering them.

In reporting on our performance, targets for 2008/09, 2009/10 and 2010/11 are as set in BCLC's Service Plan 2008/09-2010/11.

ALIGNMENT OF 2007/08 GOALS, STRATEGIES AND PERFORMANCE MEASURES

	STRATEGIES	PERFORMANCE MEASURES
1. To provide outstanding gaming entertainment generating income for the public good	1. Transform and reinvent lotteries to a growth business 2. Develop eLottery as a viable business 3. Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets 4. Build player participation and loyalty by providing a fun and entertaining gaming experience	1. Revenue 2. Operating Costs 3. Net Income 4. FTEs 5. Player Participation 6. Player Satisfaction
2. To be a respected organization that has a broad base of public support	5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs	7. Public Support of Gaming 8. Public Support of BCLC 9. Public Recognition of Social Responsibility 10. Public Awareness of the Beneficiaries of Gaming
3. To have a workforce passionately driving the success of our business	6. Create a high-performance culture	11. Employee Engagement

GOAL 1: TO PROVIDE OUTSTANDING GAMING ENTERTAINMENT GENERATING INCOME FOR THE PUBLIC GOOD

BCLC's achievement of revenue, net income and player performance targets is dependent on our ability to develop innovative new games and services for our players that provide an exciting entertainment experience.

	PERFORMANCE MEASURES	FISCAL 2006/07 ACTUAL	FISCAL 2007/08 TARGET	FISCAL 2007/08 ACTUAL	FISCAL 2008/09 TARGET	FISCAL 2009/10 TARGET	FISCAL 2010/11 TARGET
1. Transform and reinvent lotteries to a growth business 2. Develop eLottery as a viable business 3. Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets 4. Build player participation and loyalty by providing a fun and entertaining gaming experience	Revenue ($ millions)						
	Lottery	$ 983.1	$ 1,000.0	$ 958.2	$ 980.0	$ 1,000.0	$ 1,015.0
	eGaming	14.3	25.0	18.7	28.0	37.0	48.0
	Casino	1,208.9	1,240.0	1,322.1	1,400.0	1,450.0	1,510.0
	Bingo						
	Community Gaming Centre (CGC)	75.0	108.4	127.9	179.9	249.8	284.1
	Commercial	143.9	121.6	132.3	60.1	30.2	5.9
	Total Revenue	$ 2,425.2	$ 2,495.0	$ 2,559.2	$ 2,648.0	$ 2,767.0	$ 2,863.0
	Operating Cost Ratio (revenue)	4.4%	n/a	4.6%	n/a	n/a	n/a
	Operating Cost Ratio (net income)	10.5%	11.1%	10.9%	12.5%	12.2%	11.8%
	Net Income ($ millions)						
	Lottery	$ 282.6	$ 283.7	$ 261.7	$ 248.8	$ 252.4	$ 259.9
	eGaming	0.9	3.8	2.2	3.8	7.0	10.9
	Casino	698.6	701.3	761.8	792.3	808.6	843.1
	CGC/Bingo	36.7	44.2	63.2	65.1	92.0	96.1
	Total Net Income	$ 1,018.8	$ 1,033.0	$ 1,088.9	$ 1,110.0	$ 1,160.0	$ 1,210.0
	FTEs	596	633	638	n/a	n/a	n/a
	Player Participation	61%	67%	58%	n/a	n/a	n/a
	Player Satisfaction	85%	88%	84%	90%	90%	90%

The achievement of BCLC's goal to provide outstanding gaming entertainment generating net income for the public good was supported by four strategies:

1. Transform and reinvent lotteries to a growth business

Lottery gaming revenues have been relatively flat over the past few years. In fiscal 2007/08, the completion of a review by the British Columbia Ombudsman and audits of the lottery gaming system, including by GPEB and Deloitte, resulted in the dedication of considerable resources to a new Player First program to enhance the integrity, transparency, security and customer service of BCLC's lottery gaming activities.

This work had a significant impact on the ability to complete plans for new innovative and entertaining games designed to transform the lottery business, resulting in revenue and net income below targets by $48.1 million and $23.6 million respectively. SportsFunder provided lucky winners with the opportunity to experience the 2010 Winter Games through winning tickets to the Opening Ceremony and gold medal games.

BCLC completed a replacement of our lottery network technology that was reaching its end of life. This major project resulted in a new Asymmetric Digital Subscriber Line (ADSL), cellular and satellite Internet Protocol network that will provide the speed and capacity necessary to support future game and service innovations.

BCLC's primary focus is to regain public trust in our lottery system and we will continue to make substantial investments in implementing the British Columbia Ombudsman and other audit recommendations as part of our Player First initiatives.

To attract and entertain lottery players, investments will be made in strategic business drivers, including new games, distribution/service and marketing. We will also continue to work closely with our lottery channel partners, numbering 4,000 strong, to deliver outstanding customer service to players across the province.

2. Develop eLottery as a viable business

PlayNow revenue and net income targets were negatively impacted by several cancelled game launches this year. Several large Lotto 6/49 jackpot rolls combined with advertising and promotional offerings resulted in more registered players and revenue that was $4.4 million greater than last year.

With 2007/08 sales of $18.7 million, PlayNow continues to provide "best practice" responsible play controls that include spending limits and age and British Columbia residency verifications.

3. Build casino and community gaming facilities to meet domestic demand and build long-term tourism markets

Fiscal 2007/08 performance was a record year for casino and community gaming facilities, with casino revenues $82.1 million greater than target and $113.2 million greater than the previous year, and community gaming centre revenues $19.5 million greater than target and $52.9 million greater than the previous year.

BCLC continues our strategy to upgrade the quality of casino facilities, including opening the new Starlight Casino in Queensborough ahead of schedule as well as Hastings Park Racecourse, upgrading Fraser Downs and Treasure Cove and the closures of the Holiday Inn and Royal City Star. Slot machine product updates were completed ahead of schedule and the number of BC Gold player card members rose to 319,000. The fiscal 2007/08 casino gaming result was $1,322.1 million in revenue and $761.8 million in net income.

The traditional bingo business has continued to decline, with paper bingo revenue below fiscal 2007/08 targets. As part of the strategy to revitalize bingo, BCLC and our service providers continue to introduce community gaming centres with slot machines and new Chances facilities with improved aesthetics, amenities, customer service and entertainment value. In fiscal 2007/08, seven Chances community gaming centres opened. Fiscal 2007/08 community and bingo gaming results are $260.2 million in revenue and $63.2 million in net income.

4. Build player participation and loyalty by providing a fun and entertaining gaming experience

Player satisfaction with BCLC's games, services and facilities is a key factor in our continuing ability to generate income.

We will build on the excitement counting down to the Vancouver 2010 Olympic and Paralympic Winter Games with new games offering unique and coveted event-ticket prizes with proceeds allocated to amateur sport in British Columbia.

During the next three years, BCLC will continue upgrades to gaming facilities that include other entertainment and dining amenities, open more Chances locations, develop out-of-province tourism markets and offer players refreshed games, events and promotions that provide fun and entertaining play experiences. BCLC is also investigating the potential to partner with other Canadian jurisdictions to source an open system that would enable us to have one view of the BCLC player and provide the opportunity for players to participate in any of our games, where and when they want.

BCLC continues to provide player focused-rewards and incentives, including the planned introduction of the BC Gold player card in community gaming centres, and over the next three years will extend rewards and incentives across all gaming channels.

Report on Performance

GOAL 1: TO PROVIDE OUTSTANDING GAMING ENTERTAINMENT GENERATING INCOME FOR THE PUBLIC GOOD

MEASURE 1: REVENUE GENERATION

IMPORTANCE

This performance indicator measures BCLC's total revenues as reported in our consolidated financial statements. This measure is directly linked to BCLC's mission of offering responsible gaming and our goal of generating net income for the public good. Success is indicated by our ability to achieve or exceed our revenue targets while offering entertaining and socially responsible products to our players.

PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, revenue grew $134 million or 5.5% over the previous fiscal year. Lottery and eGaming revenue did not meet targets as internal resources focused on the review of the lottery gaming system by the British Columbia Ombudsman and the independent audit by Deloitte. Casino revenue continued to increase more than forecast and strong growth was also the experience in community gaming.

During the next three years, revenues are forecast to increase from $2,559.2 million to $2,863.0 million, an increase of $303.8 million or 11.8%. This reflects strong casino and community gaming centre revenue growth through facility improvements and game innovations, a conservative lottery forecast and a decline in bingo revenue.

TARGET EXCEEDED

REVENUE IN MILLIONS

DATA SOURCE:
BCLC Service Plan 2008/09-2010/11 and Audited Financial Statements

MEASURE 2: OPERATING COST RATIO

IMPORTANCE

In fiscal 2007/08, this performance indicator measured the ratio of operating costs as a percentage of total revenues as reported in our consolidated financial statements. Operating costs exclude direct costs, amortization, other expenses and taxes.

Starting in fiscal 2008/09, this performance indicator will measure operating costs as a percentage of net income. Reporting on the cost of delivering a dollar of net income to Government is important for BCLC to ensure our operations are effective and efficient. BCLC has provided the operating cost ratio based on net income for years prior to fiscal 2008/09 for comparison purposes.

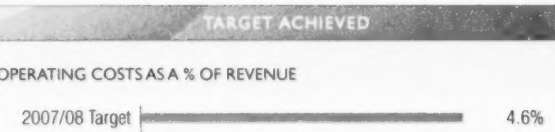
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, operating costs as a percentage of total revenue were on target at 4.6%. When measured as a percentage of net income, operating costs were 10.9% of net income and 0.2% better than the target of 11.1%.

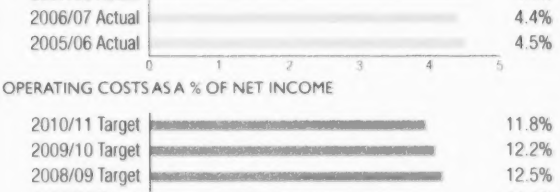
In fiscal 2008/09, the operating cost ratio based on net income is forecast to increase by 1.6%. We will continue to utilize technology and implement best practices to ensure the organization is as effective and efficient as possible. This will include continuing to implement Player First activities and fund upgrades to BCLC's lottery, casino, bingo and eGaming systems so that all gaming systems have a high level of internal control and integrity.

TARGET ACHIEVED

OPERATING COSTS AS A % OF REVENUE



OPERATING COSTS AS A % OF NET INCOME



DATA SOURCE:
BCLC Service Plan 2008/09-2010/11 and Audited Financial Statements

MEASURE 3: NET INCOME

IMPORTANCE

This performance indicator measures net income as recorded in BCLC's consolidated financial statements. This measure is directly linked to our mandate to generate income for Government.

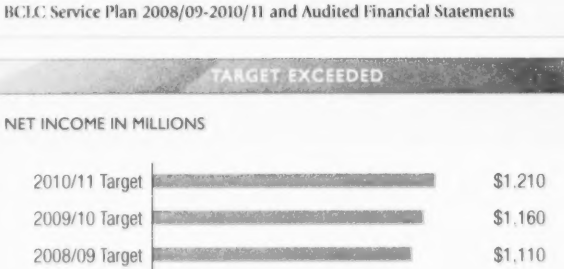
PERFORMANCE RESULTS 2007/08

This was an extremely successful year for BCLC as net income was up more than $70 million or 6.9% over last year, and fiscal 2007/08 targets were exceeded by $56 million. The strong performance was due to the successful shift from commercial bingo hall facilities to community gaming centres and stronger than forecast growth for casinos.

During the next three-year period, net income is forecast to increase from $1,088.9 million to $1,210.0 million, an increase of $121 million or 11.1%. This increase reflects a shift in product mix to higher margin contribution casino-style games and BCLC's strategies to encourage innovation and better player focus on service, building participation and loyalty and continued casino and community gaming centre improvements, customer relationship management, the transformation and growth of the lottery business and continued optimization of our PlayNow eGaming site on bclc.com.

TARGET EXCEEDED

NET INCOME IN MILLIONS



DATA SOURCE:
BCLC Service Plan 2008/09-2010/11 and Audited Financial Statements

MEASURE 4: FULL-TIME EQUIVALENTS

IMPORTANCE

This performance indicator measures the number of full-time equivalents (FTEs) employed by BCLC.

Starting in fiscal 2008/09, this performance indicator will no longer be reported, as BCLC plans to measure operating costs as a percentage of net income in order to report on our cost to deliver a dollar of net income to Government. The cost of FTEs is included in operating costs.

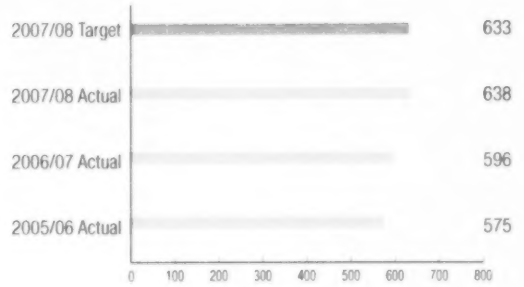
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, FTEs were five higher than target and are attributed to BCLC's focus on improving the integrity and security in the lottery gaming system through Player First programs.

The number of FTEs will increase by 146 positions in fiscal 2008/09 to support our lottery, eGaming, casino and community gaming business, Player First and other business integrity investments. This increase in FTEs will be tempered by the effectiveness and efficiencies that will be achieved as systems are upgraded and processes are improved so that all systems have a high level of internal control and integrity.

TARGET NOT ACHIEVED

FULL-TIME EQUIVALENTS



DATA SOURCE:
BCLC internal management report

MEASURE 5: PLAYER PARTICIPATION

IMPORTANCE

This performance indicator measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in British Columbia in the past month. Within the framework of Government policy, it is BCLC's objective to achieve a high level of public participation while emphasizing responsible play. This measure relates to the strategy of building player participation and loyalty by providing a fun and entertaining gaming experience.

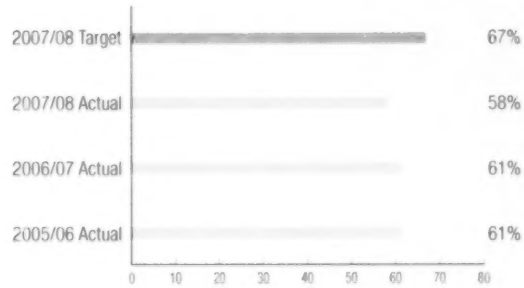
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, player participation declined 3% over the previous fiscal year and was 9% below target. While BCLC planned to continue growing player participation, the focus on events surrounding the British Columbia Ombudsman report is the primary reason for this downward trend, which began to reverse in the fourth quarter.

BCLC does not plan to use this measure going forward as our net income is the result of player participation and our mandate is to generate income for Government through conducting and managing gaming in a socially responsible way.

TARGET NOT ACHIEVED

PLAYER PARTICIPATION



DATA SOURCE:
This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

MEASURE 6: PLAYER SATISFACTION

IMPORTANCE

This performance indicator measures player satisfaction for the games, services and gaming facilities offered through the lottery, eGaming, casino and bingo gaming channels. This performance measure is directly linked to our ability to generate net income.

Player satisfaction has been in the 80% range over the past several years.

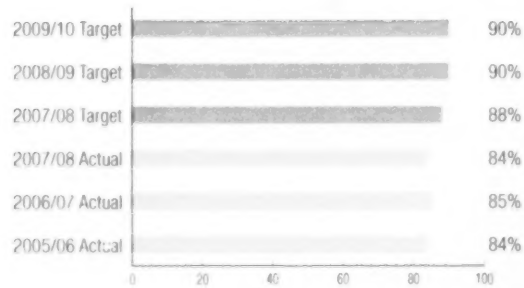
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08, player satisfaction declined 1% compared to the previous year and was 4% lower than the target. The decrease resulted from a decline in satisfaction at lottery hospitality locations, casinos and existing commercial bingo halls (not renovated), while satisfaction at community gaming sites was maintained at the same level as the previous fiscal year.

Through innovation in games and services and improving the pl... experience, our objective is to increase player satisfaction to 90% and maintain that level for the next three years.

TARGET NOT ACHIEVED

PLAYER SATISFACTION



DATA SOURCE:
This information is obtained through a continuous tracking study completed by an external research agency and through facility exit interviews reported to BCLC quarterly. The composite average is obtained from the satisfaction results in lottery, eGaming, casino and bingo gaming weighted with each channel's audited annual contribution to net income.

GOAL 2: TO BE A RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT

STRATEGY	PERFORMANCE MEASURES	FISCAL 2006/07 ACTUAL	FISCAL 2007/08 TARGET	FISCAL 2007/08 ACTUAL	FISCAL 2008/09 TARGET	FISCAL 2009/10 TARGET	FISCAL 2010/11 TARGET *
5. Build public and stakeholder trust and support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs	Public Support of Gaming	56%	52%	62%	62%	63%	64%
	Public Support of BCLC	68%	65%	64%	n/a	n/a	n/a
	Public Recognition of Social Responsibility	58%	56%	61%	n/a	n/a	n/a
	Public Awareness of Beneficiaries of Gaming	37%	35%	35%	n/a	n/a	n/a

BCLC's success in the marketplace is dependent on public support. In 2007/08, BCLC utilized four measures for public support: public support of gaming; public support of BCLC; public recognition of social responsibility; and public awareness of the beneficiaries of gaming.

The achievement of BCLC's goal to be a respected organization that has a broad base of public support was supported by three strategies:

1. Increase the public's awareness of the beneficiaries of gaming revenues

BCLC met our target of maintaining public awareness of beneficiaries of gaming at 35%, a target that is 2% lower than the previous year and was accomplished through public communication programs. We have removed this measure for future years, as BCLC does not have the mandate to make the public aware of how Government distributes gaming income.

BCLC will continue to strive to have a positive effect on British Columbia communities as we operate our business. Over the next three years as Official Supporter of the Vancouver 2010 Olympic and Paralympic Winter Games, BCLC's sponsorship will benefit players as well as the public. In concert with other Crowns, our activities to be carbon neutral by 2010 are good for BCLC and the environment.

2. In partnership with GPEB, execute best practice responsible gambling programs

BCLC has made substantial progress in advancing our responsible gambling programming activities, with significant focus on the continued introduction of Responsible Play Information Centres, expansion of Appropriate Response Training to our lottery retailers, continued development of the British Columbia Partnership for Responsible Gambling and development of a new BCLC advertising code.

The World Lottery Association (WLA) endorses seven responsible gaming principles and a certification process that provides its members with a four-level framework to publicly demonstrate their commitment to operating gaming in a socially responsible manner.

BCLC is completing the self-assessment application process for the review and approval of WLA and plans to achieve level 3 in 2008/09. This process will be used as a tool for planning responsible gambling activities.

- **Continue the three-year Responsible Gambling Strategic Plan**
  BCLC's responsible gambling programming primarily targets gamblers who may have a propensity to develop a problem. BCLC's responsible gambling programs are designed to inform and educate players to help encourage responsible play and to prevent problem gambling behaviours from developing. Programs in place to respond to problem gamblers include our Voluntary Self-Exclusion program and referral to Government's Problem Gambling Help Line.
- **Expand the British Columbia Partnership for Responsible Gambling**
  The membership includes 10 municipalities and six gaming service providers. The most recent Responsible Gambling Forum focused on youth and generated a number of ideas for educational initiatives. One result is an advertisement that discourages parents from purchasing lottery tickets as Christmas gifts for minors. A steering committee is developing a broad strategic plan to guide further activities.
- **Expand Responsible Play Information Centres**
  BCLC's Responsible Play Information Centres (RPICs) are now well established in casinos and community gaming centres. Casino RPICs are located on or immediately adjacent to the gaming floors in high-traffic areas, with on-site staff to reach a broad base of players. Self-service terminals are available when RPICs are unstaffed and are in use in some casinos where RPICs are scheduled for implementation in 2008/09. All community gaming centres have self-service terminals. By the end of 2008/09, RPICs will be in all casinos and community gaming centres.
- **Enhance youth prevention initiatives**
  To date, initiatives are being addressed through the British Columbia Partnership for Responsible Gambling.
- **Continue responsible gambling training with frontline gaming workers**
  Appropriate Response Training (ART) is provided for all front-line gaming facility employees, supervisors and managers and is available online and in classroom formats. Training is delivered by BCLC and trained facilitators from GPEB's network of problem gambling counsellors and prevention co-ordinators. This year, BCLC launched an ART program for lottery retailers; responsible gambling questions are included in the lottery retailer certification test. The ART program was reviewed this year with areas identified for improvement. ART improvements will be made by the Responsible Gambling Council in 2008/09 along with recommendations formulated to improve the delivery model.

3. Maintain, improve and protect the integrity of our games, services and business operations

In 2006 and 2007, BCLC's lottery operations underwent a review by the British Columbia Ombudsman and other audits, including by GPEB and Deloitte. None of them identified any incorrect payments of lottery prizes, but each recommended ways BCLC can enhance the integrity and security of the lottery system, particularly prize payout and validation processes, security investigations and overall support provided to the player. BCLC developed Player First as our most important initiative to significantly enhance our focus on lottery players and the lottery prize payout and validation processes.

Player First is a comprehensive response to implementing 23 recommendations made by the British Columbia Ombudsman and Deloitte recommendations, and in many cases goes even further than recommended to put the player first. It includes initiatives that range from retailer education and training, to new messaging and technology that provides more information and control to our players, reducing the potential for an unscrupulous person to defraud a player, to player education on the appropriate steps to take to adequately protect themselves. In 2007/08 BCLC completed 11 of the British Columbia Ombudsman recommendations.

In 2008/09, BCLC will add full-time security in major casinos to augment the security and surveillance provided by our service providers, as well as to liaise with local police authorities as required. In community gaming centres, BCLC is adding staff to improve our oversight of the controls and security. Our back office casino systems are being upgraded to ensure they can continue to support the integrity of gaming in casinos and community gaming centres.

BCLC is upgrading our internal controls and processes to enhance business integrity and support transparency. In 2007/08, BCLC increased internal audit and compliance focus and supported this with a newly formalized code of business conduct and ethical standards for our employees. Increased staff in internal audit, legal and security and a new player relations function are examples of new initiatives to effect these changes. The Business Continuity Management program will focus on warehouse/distribution and finance activities in the coming fiscal year.

GOAL 2: TO BE A RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT (CONTINUED)

MEASURE 7: PUBLIC SUPPORT OF GAMING

IMPORTANCE

This performance indicator measures the percentage of adults in British Columbia who support legalized gaming in British Columbia. Gaming continues to be controversial, with increasing numbers and types of games, services and facilities. Public concerns with the impacts of problem gambling in local communities and a lack of awareness of how gaming revenues are spent continues to negatively impact public acceptance for gaming in British Columbia. This is also true across Canada, where support has been declining for a number of years.

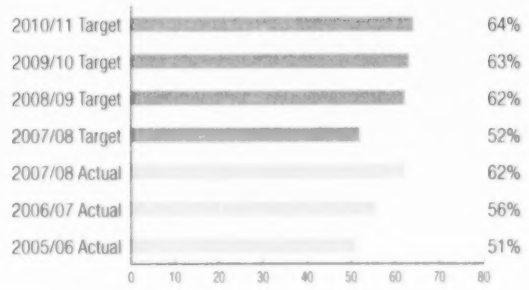
PERFORMANCE RESULTS 2007/08

From fiscal 2003/04 to fiscal 2005/06, public support of gaming declined by 7%. This trend has reversed, with a 6% increase in support in fiscal 2007/08 compared to the previous fiscal year and 10% higher than BCLC's target.

BCLC will continue to build public support of gaming. This will be done through the delivery of our games in a socially responsible manner, the continued strengthening of responsible gambling programs, having a positive effect on British Columbia communities as we operate our business, by ensuring the integrity and security of our games and raising awareness of gaming beneficiaries through linking games to worthy causes, such as SportsFunder.

TARGET EXCEEDED

PUBLIC SUPPORT OF GAMING



DATA SOURCE:
This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

MEASURE 8: PUBLIC SUPPORT OF BCLC

IMPORTANCE

This performance indicator measures the percentage of adults in British Columbia who have a favourable impression of BCLC.

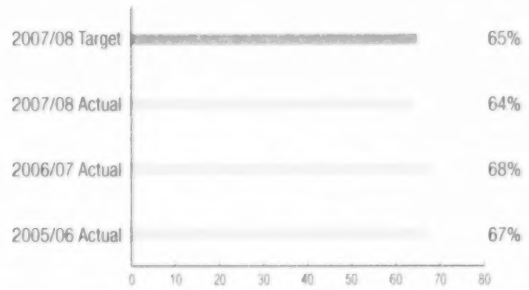
PERFORMANCE RESULTS 2007/08

In fiscal 2007/08 support for BCLC declined 4% compared to the previous year and was 1% below target. The focus on events surrounding the review by the British Columbia Ombudsman is the primary reason for this trend, which began to reverse in the fourth quarter.

This measure has been removed for fiscal 2008/09. Support of BCLC as an organization is of lesser importance than whether the public has trust and confidence in the gaming activities BCLC oversees.

TARGET NOT ACHIEVED

PUBLIC SUPPORT OF BCLC



DATA SOURCE:
This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

MEASURE 9: PUBLIC RECOGNITION OF SOCIAL RESPONSIBILITY

IMPORTANCE

This performance indicator measures the percentage of adults in British Columbia who agree that BCLC markets gaming in a socially responsible way. BCLC is committed to promoting the responsible use of our products. We take our responsibility to deliver commercial gaming in the province in a manner that considers the impact on the people and communities of British Columbia seriously.

PERFORMANCE RESULTS 2007/08

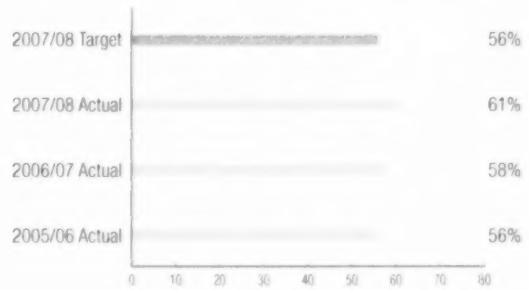
In fiscal 2007/08, the public's recognition of social responsibility was 3% higher than last year and 5% higher than BCLC's target.

For fiscal 2008/09, BCLC has changed this measure to Player Awareness of Responsible Gambling Activities. This new measure is better aligned with BCLC's mandate to communicate with our players and within our gaming facilities about responsible play and how to access the programs that are available.

BCLC will measure the percentage of our players who are aware of our activities to deliver responsible gambling programs. Working in partnership with GPEB, service provider partners and those involved in the prevention and treatment of problem gambling through the Responsible Gambling Strategy, BCLC will continue to encourage safe and healthy use of our gaming entertainment products.

TARGET EXCEEDED

PUBLIC RECOGNITION OF SOCIAL RESPONSIBILITY



DATA SOURCE:
This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

GOAL 2: TO BE A RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT (CONTINUED)

MEASURE 10: PUBLIC AWARENESS OF THE BENEFICIARIES OF GAMING

IMPORTANCE

This performance indicator measured the percentage of adults in British Columbia who have an awareness of how gaming income is distributed. Public awareness of the beneficiaries of gaming is directly related to public acceptance of gaming and BCLC's ability to generate income.

BCLC offers great gaming entertainment experiences and chances to win prizes. In addition to the more than $647.1 million in lottery, bingo and eGaming prizes that was paid out to players in fiscal 2007/08, BCLC paid $557.2 million to our retailers and service providers who distribute and deliver our games. The greatest beneficiaries of gaming though are the residents of British Columbia. In fiscal 2007/08, $1,080.4 million in net income was provided to Government to use to support key programs, including health care, education and recreation, and is distributed to local communities that offer our gaming products and charitable and community organizations throughout British Columbia.

BCLC will continue to be involved in the communities where we operate.

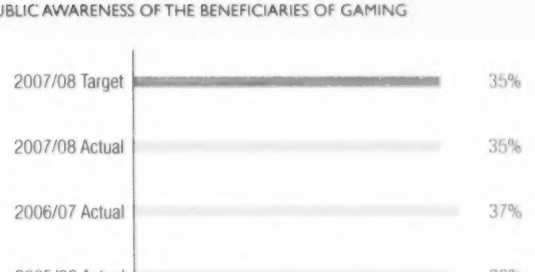
PERFORMANCE RESULTS 2007/08

The public awareness of how gaming income is distributed was on target this year at 35%, but down 2% over the previous year.

This measure has been removed for fiscal 2008/09. BCLC's mandate is to provide net income to Government. BCLC does not have the mandate to make the public aware of how Government distributes gaming income.

TARGET ACHIEVED

PUBLIC AWARENESS OF THE BENEFICIARIES OF GAMING



DATA SOURCE:

This information is obtained through a continuous tracking study completed by an external research agency and reported to BCLC quarterly.

GOAL 3: TO HAVE A WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS

OBJECTIVE	PERFORMANCE MEASURE	FISCAL 2006/07 ACTUAL	FISCAL 2007/08 TARGET	FISCAL 2007/08 ACTUAL	FISCAL 2008/09 TARGET	FISCAL 2009/10 TARGET	FISCAL 2010/11 TARGET *
6. Create a high-performance culture	Employee Engagement	54%	60%	44%	55%	60%	65%

The achievement of BCLC's goal to have a workforce passionately driving the success of our business was supported by the following initiatives:

- Build leadership and management talent.
- Identify and improve key workplace people practices and work processes.
- Ensure both talent and succession planning meets current and future workforce needs.
- Imbed innovation into the culture of the organization.

For the second year, BCLC was recognized as one of British Columbia's Top 40 Employers and this recognition is one factor that will continue to attract new employees with the leadership and skills required to take BCLC into the future.

In fiscal 2007/08, BCLC underwent significant change in leadership. Over the next three years, focus on employee engagement, leadership, communication, recognition and work processes are expected to positively impact BCLC's employee culture.

MEASURE 11: EMPLOYEE ENGAGEMENT

IMPORTANCE

This performance indicator measures the overall engagement of BCLC employees. Employee engagement is defined as the state of intellectual and emotional involvement employees have in an organization. Highly engaged employees exert extra effort and are dedicated to doing the very best job possible to contribute to the organization's success. Organizations with high employee engagement are more successful at retaining and recruiting employees.

PERFORMANCE RESULTS 2007/08

In 2006 and 2007 several factors, including the review and audits of BCLC, negative media and public attention to lottery gaming issues and organizational change, negatively impacted employee morale, which was reflected in the pulse check conducted in November 2007. This pulse check asked employees to rate their level of engagement over an abbreviated range of attributes, including alignment with the Player First program, work environment, people practices, recognition and benefits.

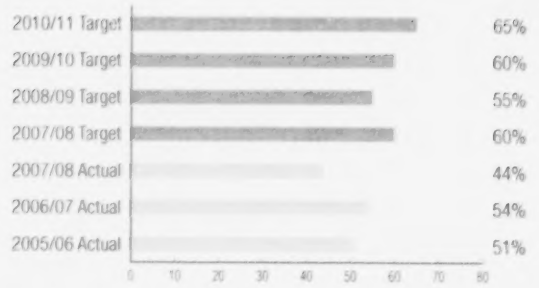
Participation by employees was high at 81% but resulted in a 44% engagement score, a decrease of 10% from the previous year. This result is lower than the 52% average for Canadian gaming, overall Canadian average of 62% and North American average of 55%.

BCLC reviewed the engagement results at the senior executive level and communicated the results to all employees. Senior executive discussed engagement results with their teams and built divisional action plans. A team of leaders from across the organization have been reviewing ideas and will make recommendations to the senior executive on ways to improve engagement. Another pulse check will be held in spring 2008 to measure our progress and gauge employee perception of changes made to date, although BCLC recognizes that significant change will take more time.

BCLC is fully committed to improving employee engagement. Significant leadership focus will improve programs that support employee recognition, development and productivity in fiscal 2008/09 with the objective of increasing employee engagement from 44% to 55% in fiscal 2008/09 and to 65% in the next three years.

TARGET NOT ACHIEVED

EMPLOYEE ENGAGEMENT



DATA SOURCE:
This information is obtained through an annual employee survey or pulse check conducted by Hewitt Associates. BCLC participates in Hewitt's cross-Canada survey of Canadian businesses for which results are published as the 50 Best Employers in Canada.

BCLC's Board and Executive review our mission, goals, strategies, performance measures and the associated targets on an annual basis.

For fiscal 2008/09, BCLC's mission statement has been updated to "To generate income by offering responsible gaming entertainment" removing "for the public good." BCLC's net income is provided to Government, and Government makes all decisions about how to distribute gaming income for public benefit.

BCLC has added one new goal and updated the first two of our four goals to reflect a better balance between our mandate to conduct and manage gaming in British Columbia to generate revenue and our corporate social responsibility. Updated strategies describe how we will achieve this balance. Performance measures and targets have also been revised to reflect an increased focus on our players and strengthened social responsibility.

This chart compares the goals in our Service Plan 2007/08-2009/10 to the goals in our Service Plan 2008/09-2010/11.

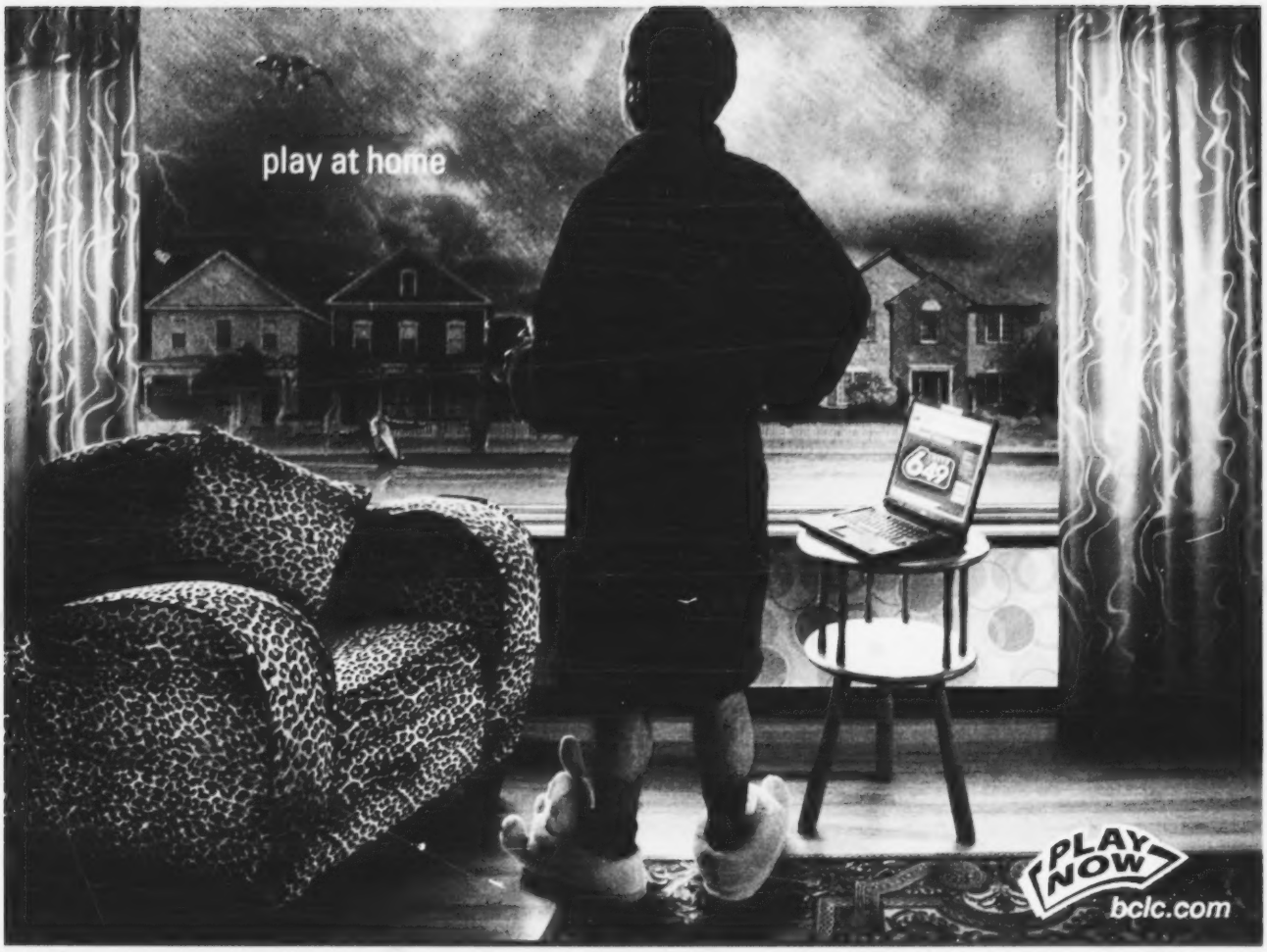
2007/08 – 2009/10 SERVICE PLAN GOALS	2008/09 – 2010/11 SERVICE PLAN GOALS	COMMENTS
To be a respected organization that has a broad base of public support.	Ensure players come first.	It is important that the gaming BCLC manages has the support of the public in order for BCLC to continue to generate and maximize net income for Government.
To provide outstanding gaming entertainment, generating income for the public good.	Provide an outstanding gaming experience for players and generate income.	Our primary focus is on the games, services, facilities and overall support we provide to our players. Government determines how gaming income will be distributed and distributes it.
N/A	Demonstrate social responsibility in all of our activities.	This new goal and associated activities will place more emphasis on ensuring social responsibility and better balance between this goal and that of generating revenue.
To have a workforce passionately driving the success of our business.	Have a workforce passionately driving the success of our business.	Minor wording change.

SERVICE PLAN 2008/09 – 2010/11 GOALS, OBJECTIVES, STRATEGIES AND PERFORMANCE MEASURES

GOALS	OBJECTIVES	STRATEGIES	PERFORMANCE MEASURES
1. Ensure players come first	a. Grow the public trust in the integrity of, and support for, gaming BCLC manages	1. Entrench a player focus in all BCLC activities	1. Public trust and confidence in BCLC games
2. Provide an outstanding gaming experience for players and generate income	a. Increase the number of new and repeat players to BCLC's games and service provider facilities b. Optimize net income for our Shareholder	2. Provide opportunities within BCLC's business and operating model to encourage innovation and better player service 3. Build player participation and loyalty through player-focus on product innovation, continued facility improvement and customer relations management 4. Implement programs to improve business integrity and operational efficiencies 5. Transform and grow the lottery business 6. Build and leverage PlayNow to achieve its potential as a robust, secure and successful channel	2. Net income 3. Operating cost ratio (of net income) 4. Player satisfaction
3. Demonstrate social responsibility in all our activities	a. Ensure our games are provided in a socially responsible manner b. Have a positive effect on communities as we operate our business	7. Improve responsible gambling strategy and delivery of programs 8. Develop and begin implementation of BCLC's plan for carbon neutrality by 2010 9. Promote BCLC's business through Vancouver 2010 Olympic and Paralympics Winter Games sponsorship	5. Player awareness of responsible gambling activities 6. Public support of gaming
4. Have a workforce passionately driving the success of our business	a. Create a high performing organization that strives to continually improve	10. Develop and implement a high performance culture human resources plan 11. Provide recognition and engagement opportunities for employees to be visibly connected to and appreciated for their contribution to British Columbia's communities	7. Employee engagement

This chart provides the new performance measures and targets reflected in BCLC's Service Plan 2008/09 - 2010/11.

PERFORMANCE MEASURES	2007/08 SERVICE PLAN TARGET	2007/08 SERVICE PLAN ACTUAL	2008/09 SERVICE PLAN TARGET	COMMENTS
Public Trust and Confidence in BCLC Games	n/a	n/a (baseline 61%)	64%	This new measurement will provide BCLC with an understanding of whether our activities to enhance the integrity and security of the games we manage are increasing the public's trust and confidence in gaming. We will adjust programs and delivery if needed based on actual performance. A baseline was established in the final quarter of 2007/08 and the target subsequently set for 2008/09.
Player Awareness of Responsible Gambling Activities	n/a	n/a (baseline 82%)	84%	BCLC's role in the Responsible Gambling Strategy is to communicate to our players and ensure players have access to responsible gaming programs. This measure will assess whether we are successful in making players aware of how to play responsibly and what programs are available. A baseline was established in the final quarter of 2007/08 and the target subsequently set for fiscal 2008/09.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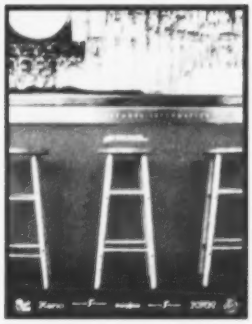
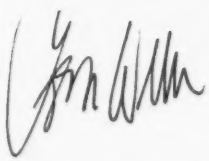


Management's Responsibility for Financial Reporting

The financial statements of British Columbia Lottery Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles. The financial statements present fairly the financial position of British Columbia Lottery Corporation as at March 31, 2008, and the results of its operations and cash flow for the year then ended.

Management is responsible for the integrity of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and financial records are properly maintained to facilitate the preparation of reliable financial information in a timely manner.

KPMG, LLP, Chartered Accountants have performed an independent audit of British Columbia Lottery Corporation and expressed an unqualified opinion on the financial statements of British Columbia Lottery Corporation.



Tom Williamson
Vice-President (Acting),
Finance and Corporate Services

Auditors' Report

To the Directors of British Columbia Lottery Corporation:

We have audited the consolidated balance sheet of British Columbia Lottery Corporation as at March 31, 2008 and the consolidated statements of income, amounts due to Government of British Columbia, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Kamloops, Canada
April 18, 2008

Consolidated Balance Sheet

March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
ASSETS		
Cash (note 3)	$ 3,999	$ (4,338)
Short-term investments	91,325	111,884
Accounts receivable (note 4)	80,440	82,443
Prepaid expenses	5,721	4,227
Inventory (note 5)	4,203	5,256
Accrued pension plan asset (note 6)	15,749	11,933
Property, plant and equipment (note 7)	115,051	119,910
	$ 316,488	$ 331,315
LIABILITIES		
Prizes payable	$ 43,837	$ 40,514
Accounts payable and accrued liabilities	46,319	53,652
Accrued post retirement benefit obligation (note 6)	31,767	27,454
Payable to Interprovincial Lottery Corporation	1,685	4,161
Due to Government of British Columbia	192,880	205,534
Commitments and contingencies (notes 14 and 15)		
	$ 316,488	$ 331,315

See accompanying notes to consolidated financial statements.

Approved:

John McLernon
Director

Approved:

Kathy Stevenson
Director

Consolidated Statement of Income

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
Revenue (note 8):		
Lottery	$ 976,910	$ 997,414
Casino	1,322,123	1,208,891
Bingo	260,154	218,903
	2,559,187	2,425,208
Direct expenses:		
Prizes	647,059	650,846
Commissions	579,313	528,446
Ticket printing and bingo paper	17,041	19,586
	1,243,413	1,198,878
Revenue less direct expenses	1,315,774	1,226,330
Operating expenses:		
Administrative expenses	118,817	106,728
Amortization	64,908	64,024
Other expenses	3,442	2,586
Marketing Trust Account (note 9):		
Marketing Trust Account income	(13,703)	(9,715)
Marketing Trust Account expenditures	13,703	9,715
Net income from operations	1,128,607	1,052,992
Non-operating income (expense):		
Net horse racing betting fees (note 10)	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses (note 11)	(1,600)	(1,600)
Goods and Services Tax expense (note 20)	(39,992)	(34,472)
Net income, being comprehensive income	$ 1,088,893	$ 1,018,798
Allocation of net income:		
Government of British Columbia	$ 1,080,377	$ 1,010,387
Government of Canada (note 12)	8,516	8,411
	$ 1,088,893	$ 1,018,798

Sector activity information (note 18)
See accompanying notes to consolidated financial statements.

Consolidated Statement of Amounts Due to Government of British Columbia

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
Balance, beginning of year	$ 205,534	$ 175,534
Net income	1,088,893	1,018,798
	1,294,427	1,194,332
Payments to Government of British Columbia	1,093,031	980,387
Payments to Government of Canada	8,516	8,411
	1,101,547	988,798
Due to Government of British Columbia	$ 192,880	$ 205,534

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	2008	2007
Cash provided by (used in):		
OPERATIONS:		
Net income	$ 1,088,893	$ 1,018,798
Adjustments for:		
Amortization of property, plant and equipment	64,908	64,024
Gain on disposal of property, plant and equipment	(518)	(485)
	1,153,283	1,082,337
Changes in non-cash operating items:		
Accounts receivable	2,003	(8,476)
Prepaid expenses	(1,494)	(1,636)
Inventory	1,053	(343)
Accrued pension plan asset	(3,816)	(5,287)
Prizes payable	3,323	(1,961)
Accounts payable and accrued liabilities	(7,331)	(13,443)
Accrued post retirement benefit obligation	4,313	3,913
Payable to Interprovincial Lottery Corporation	(2,476)	2,492
	1,148,858	1,057,596
FINANCING:		
Short-term investments	20,559	(28,006)
Payments to Government of British Columbia	(1,093,031)	(980,387)
Payments to Government of Canada	(8,516)	(8,411)
	(1,080,988)	(1,016,804)
INVESTMENTS:		
Additions to property, plant and equipment	(60,454)	(43,927)
Proceeds on disposal of property, plant and equipment	921	1,365
	(59,533)	(42,562)
Increase (decrease) in cash	8,337	(1,770)
Cash (overdraft), beginning of year	(4,338)	2,568
Cash (overdraft), end of year	$ 3,999	$ (4,338)

See accompanying notes to consolidated financial statements.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

1. NATURE OF THE CORPORATION

British Columbia Lottery Corporation (BCLC) is a Crown corporation. BCLC was incorporated under the *Company Act* of British Columbia on October 25, 1984, and is continued under the *Gaming Control Act* (August 2002). As an agent of the Crown, the Province has designated the Corporation as the authority to conduct, manage and operate lottery schemes on behalf of the Province, including lottery, casino and bingo. BCLC is also the regional marketing organization for national lottery games, which are joint undertakings by the provinces acting through the Interprovincial Lottery Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation:
(i) The financial statements of the Corporation have been prepared in accordance with Canadian generally accepted accounting principles.
(ii) The consolidated financial statements include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation, as well as the Marketing Trust Account, a variable interest entity (see note 9).

(b) Short-term investments:
Short-term investments are valued at fair value.

(c) Inventory:
Inventory is recorded at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

(d) Property, plant and equipment:
The Corporation's policy on capital purchases is that any major purchase which has a future useful life beyond the current year will be capitalized.

The Corporation's property, plant and equipment are recorded at their original cost and are amortized on the straight-line basis over their estimated useful lives, as follows:

ASSET	RATE	ASSET	RATE
Corporate facilities and equipment	5 years	Corporate information systems	3 years
Lottery gaming systems and equipment	5 years	Casino gaming systems and equipment	3 years
Bingo gaming systems and equipment	3 years		

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset.

(e) Employee future benefits:
The Corporation has defined benefit pension plans covering substantially all of its employees. The benefits are based on years of service and the highest 60 consecutive months of pensionable earnings. The cost of this program is funded by employee and employer contributions.

The Corporation also sponsors post retirement benefit life insurance and health care plans for substantially all retirees. The Corporation measures the costs of its obligation based on estimates provided by independent actuaries.

The Corporation accrues its obligations under employee benefit plans as the employees render the services necessary to earn the pension and other employee future benefits. The Corporation has adopted the following policies:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method pro rated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages and expected health care costs.
- For the purpose of calculating expected return on plan assets, those assets are valued at fair value.
- Past service costs from plan amendments or initiations are amortized on a straight-line basis over the expected average remaining service life (EARSL) of active members expected to receive benefits under the plan.
- Cumulative gains and losses in excess of 10% of the greater of the accrued benefit obligation and the market value of plan assets are amortized over the average remaining service period of active members expected to receive benefits under the plans. The EARSL for the Registered Plan is 13 years.
- An unfunded liability may be amortized over no more than 15 years through special payments as required under the *Pension Benefits Standards Act*. A funding excess may be applied immediately to reduce required employer current service contributions, however, the reduction in contributions may not cause the funding excess to drop below 5% of the pension plan benefit obligation. Further, the use of a funding excess must be amortized over a minimum of 5 years.

(f) Revenue recognition:
Lottery games:
The recognition of lottery sales and the corresponding direct expenses for online games is at the date of the draw. Receipts for lottery tickets sold before March 31 for draws held subsequent to that date are recorded as deferred revenue, and the associated direct costs are recorded as prepaid expenses.

The recognition of lottery sales and the corresponding direct expenses for all instant ticket games is at the time of the transfer of legal ownership to the retailer.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

(f) Revenue Recognition (Continued):

Bingo games:

Revenue from the operation of paper, electronic, linked, and handheld Bingo and the associated selling costs and prize expenses are included in the consolidated statement of income in the same period the game is played. Revenue from bingo slot machines is recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

Casinos:

Revenues from casino slot machines and table games are recorded in the consolidated statement of income, net of prizes paid, in the same period the game is played. Related operating costs are recorded in the consolidated statement of income in the period they are incurred.

(g) Prize expenses:

Lottery prize expenses are recorded based on the actual prize liability experienced for each online game, and theoretical prize libilities for instant ticket games.

For instant ticket games, the actual expense incurred each year will vary from theoretical estimates based on the nature of games of chance. Over the life of a game, the actual prize expense will equal theoretical expense.

Expired prize funds are to be paid out to the player in the form of bonus prizes and/or bonus draw promotions.

(h) Software development costs:

Software development costs are deferred if they meet certain criteria specified by Canadian generally accepted accounting principles; otherwise they are expensed as incurred.

(i) Income taxes:

As the Corporation is an agent of the Crown it is not subject to federal or provincial corporate income taxes or corporate capital taxes.

(j) Estimates:

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant areas of estimate include pension plan assets, liabilities and expenses, and Goods and Services Tax liability and expense. Actual results could differ from those estimates.

(k) Accounting pronouncements adopted during the year:

Effective April 1, 2007, the Corporation adopted the following CICA Handbook sections, which became effective for the Corporation on that date:

Section 3855 "Financial Instruments – Recognition and Measurement," which prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are subsequently measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost. Upon adoption of this standard, the Corporation designated or classified its financial assets and liabilities as follows:

- Cash, short-term investments, and bingo and casino cash floats were designated as held for trading and measured at their fair value, with changes in fair value recognized in the consolidated statement of income;
- Accounts receivable have been classified as loans and receivables and are measured at amortized cost; and
- Accounts payable and accrued liabilities, prizes payable and payable to Interprovincial Lottery Corporation have been classified as other financial liabilities and are measured at amortized cost.

In accordance with the transitional provisions of Section 3855, the Corporation has applied the new accounting policy retrospectively, without restatement of prior period's financial statements and there was no effect on the financial statements on adoption.

Section 3861 "Financial Instruments--Disclosure and Presentation" establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. The adoption of this Section has not significantly impacted the Corporation's financial statements. Disclosure of the financial significance of financial instruments to the Corporation's financial position, performance and cash flows, and to assist in assessing the amounts, timing and certainty of future cash flows associated with those instruments is located in note 17.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

The Corporation has determined that no items should be reported in other comprehensive income, and therefore net income is equal to comprehensive income.

(l) Accounting pronouncements issued but not yet effective:

The following new CICA Handbook sections have been issued and become effective for the Corporation, as of its fiscal year commencing April 1, 2008:

Section 3031 "Inventories," which prescribes the accounting treatment for inventories, particularly the determination of inventory cost and its subsequent recognition as an expense, including any write-down to net realizable value. The adoption of this section is not expected to significantly impact the Corporation's financial statements.

Section 3862 "Financial Instruments – Disclosure" and Section 3863 "Financial Instruments – Presentation," which further expand on the standards for financial statement disclosure and presentation of financial instruments prescribed in Section 3861 above.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

3. CASH:

	2008	2007
Bank overdraft	$ (2,912)	$ (10,501)
Marketing Trust Account	6,911	6,163
	$ 3,999	$ (4,338)

Cash includes an amount of $6,911 (2007 - $6,163) held in trust in accordance with the Casino Operational Services Agreement (COSA) between BCLC and the participating Service Providers.

A corresponding trust liability in the amount of $6,911 (2007 - $6,163) is also included in accounts payable and accrued liabilities (see note 9).

4. ACCOUNTS RECEIVABLE:

	2008	2007
Trade accounts receivable:		
Lottery retailers	$ 16,157	$ 24,499
Casino service providers	22,251	15,698
Bingo service providers	6,267	3,426
	44,675	43,623
Casino cash floats	34,825	32,075
Other	940	6,745
Total accounts receivable	$ 80,440	$ 82,443

Casino cash floats provided by the Corporation are secured by Irrevocable Standby Letters of Credit.

5. INVENTORY:

The major components of inventory are instant tickets, materials, and supplies.

	2008	2007
Instant tickets	$ 3,375	$ 4,034
Online supplies	91	225
Casino mystery bonus	498	561
Bingo paper and supplies	234	431
Other inventory	5	5
	$ 4,203	$ 5,256

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

6. EMPLOYEE FUTURE BENEFITS:

The Corporation has a defined benefit pension plan (RPP) and a post retirement benefit life insurance and health care plan covering substantially all of its employees.

Information about the Corporation's defined benefit plans is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2008	2007	2008	2007
Accrued benefit obligation:				
Balance at beginning of year	$ 81,502	$ 68,658	$ 39,919	$ 33,128
Current service cost	3,841	2,912	2,102	1,792
Interest cost	4,401	3,813	2,256	2,073
Employee contributions	1,644	1,451	–	–
Past service cost	–	–	–	–
Benefits paid	(3,125)	(3,493)	(499)	(458)
Special termination benefits	725	–	–	–
Actuarial loss (gain)	(13,133)	8,161	(8,258)	3,384
Balance at end of year	75,855	81,502	35,520	39,919
Plan assets:				
Fair value at beginning of year	78,053	65,829	–	–
Actual return on plan assets	(1,347)	6,889	–	–
Employer contributions	7,794	7,377	499	458
Employee contributions	1,644	1,451	–	–
Benefits paid	(3,125)	(3,493)	(499)	(458)
Balance at end of year	83,019	78,053	–	–
Funded status – excess (deficiency)	7,164	(3,449)	(35,520)	(39,919)
Employer contributions after measurement date	176	179	–	–
Unamortized past service cost	645	762	(4,890)	(5,297)
Unamortized net actuarial loss	7,764	14,441	8,643	17,762
Accrued pension plan benefit asset (liability)	$ 15,749	$ 11,933	$ (31,767)	$ (27,454)

	2008	2007
Plan assets by asset category:		
Equity securities	66%	64%
Debt securities	34%	36%
	100%	100%

Every three years an actuarial valuation is performed to assess the financial position of the pension plan. The most recent actuarial valuation of the pension plan for funding purposes was made as of March 31, 2006 by Mercer Human Resource Consulting, a firm of consulting actuaries. The next required valuation will be as of March 31, 2009, with results available in late 2009. The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations are as follows:

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

	Pension Plans		Post Retirement Benefit Plans	
	2008	2007	2008	2007
At beginning of period:				
Discount rate	5.3%	5.5%	5.4%	5.5%
Expected rate of return on plan assets	7.0%	7.0%	–	–
Rate of compensation increase	5.0%	3.0%	–	–
Health care cost trend rate:				
2007/2008	–	–	6.60%	7.02%
Ultimate	–	–	4.50%	4.52%
Year ultimate reached	–	–	2012	2012
At end of period:				
Discount rate	6.25%	5.3%	6.35%	5.4%
Rate of compensation increase	5.0%	5.0%	–	–
Health care cost trend rate:				
2007/2008	–	–	6.24%	6.60%
Ultimate	–	–	4.50%	4.50%
Year ultimate reached	–	–	2012	2012

The Corporation's net benefit plan expense is as follows:

	Pension Plans		Post Retirement Benefit Plans	
	2008	2007	2008	2007
Current service cost, net of employees' contributions (including provision for plan expenses)	$ 3,841	$ 2,912	$ 2,102	$ 1,792
Interest cost	4,401	3,813	2,256	2,073
Actual return on plan assets	1,347	(6,889)	–	–
Actuarial loss (gain) on accrued benefit obligation	(13,133)	8,161	(8,258)	3,384
Special termination benefits	725	–	–	–
Costs arising in the year	(2,819)	7,997	(3,900)	7,249
Differences between costs arising in the year and costs recognized in the year in respect of:				
Return on plan assets	(6,993)	2,194	–	–
Actuarial loss (gain)	13,670	(8,039)	9,119	(2,471)
Plan amendment	117	117	–	–
(Negative) past service cost	–	–	(407)	(407)
Net benefit cost recognized	$ 3,975	$ 2,269	$ 4,812	$ 4,371

	Cost	Accumulated amortization	2008 Net	2007 Net
Land	$ 700	$ –	$ 700	$ 700
Corporate facilities and equipment	29,026	26,116	2,910	2,722
Corporate information systems	30,811	25,319	5,492	6,031
Lottery gaming systems and equipment	107,651	70,204	37,447	39,642
Casino gaming systems and equipment	197,233	145,166	52,067	57,801
Bingo gaming systems and equipment	54,571	38,136	16,435	13,014
	$ 419,992	$ 304,941	$ 115,051	$ 119,910

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

8. REVENUE

	2008	2007
Lottery:		
Keno	$ 224,806	$ 230,023
Scratch & Win	165,324	169,684
Lotto 6/49	229,758	212,227
Lotto Super 7	62,086	86,243
Pull Tab	64,562	70,455
Extra	52,030	57,238
BC/49	53,044	53,105
Sports Action	49,371	45,259
Millionaire Life	7,854	11,555
Pacific Hold'Em Poker	45,410	35,558
Special Event	3,726	4,195
PayDay	3,159	7,108
Racetrax	–	1,564
SportsFunder	14,754	12,453
Interactives	1,026	747
	976,910	997,414
Casino - net win:		
Slot machines	973,908	869,855
Poker	22,420	20,794
Table games	325,795	318,242
	1,322,123	1,208,891
Bingo:		
Bingo Paper	74,295	82,685
Electronic Bingo	77,085	70,234
Linked Bingo	10,305	11,078
Handheld Bingo	11,752	13,222
Bingo slot machines – net win	86,717	41,684
	260,154	218,903
Total revenue	**$ 2,559,187**	**$ 2,425,208**

9. MARKETING TRUST ACCOUNT (MTA)

The Marketing Trust Account was implemented between BCLC and Casino Service Providers who are provided with more than 300 slot machines. Under the terms of the Casino Operational Services Agreement (COSA), Service Providers are required to contribute to this account for the purpose of funding casino marketing programs promoting the Corporation's casinos in a socially responsible manner.

In the event that the amount contributed to the Trust Account by the Casino Service Providers in any fiscal year of BCLC commencing April 1, 2006 is not expended on marketing programs promoting the casinos by the last day of the following fiscal year of BCLC, any such balance shall be repaid to the Casino Service Providers.

The Corporation has included the activities of the MTA in its consolidated financial statements pursuant to Accounting Guideline 15—Consolidation of Variable Interest Entities.

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

9. MARKETING TRUST ACCOUNT (MTA) (CONTINUED)

Amounts related to the MTA are as follows:

	2008	2007
MTA contributions and interest	$ 14,451	$ 12,400
MTA unearned contributions	(748)	(2,685)
MTA income	13,703	9,715
MTA expenditures	(13,703)	(9,715)
Net MTA income	$ –	$ –

Amounts included in cash (note 3) and accounts payable and accrued liabilities related to the MTA are as follows:

	2008	2007
Opening MTA trust assets and liabilities	$ 6,163	$ 3,478
Current year unearned MTA contributions	748	2,685
Ending MTA trust assets and liabilities	$ 6,911	$ 6,163

10. NET HORSE RACING BETTING FEES

Pursuant to section 16 of the *Gaming Control Act*, BCLC is responsible for the collection and distribution of horse racing fees in the province of British Columbia. The rates of fee collection and the responsibility for their distribution are set forth in the *Act*. The amount shown as net horse racing betting fees in these statements is the portion of those fees collected by BCLC and then remitted to Government, and approximates the cost of regulating the industry as determined by the Gaming Policy and Enforcement Branch (GPEB).

	2008	2007
Revenue collected from the horse racing industry	$ 6,656	$ 6,588
Less: revenue returned to the horse racing industry	(4,778)	(4,710)
Net horse racing betting fees	$ 1,878	$ 1,878

11. INTEGRATED ILLEGAL GAMING ENFORCEMENT TEAM EXPENSES

In February 2003, based on direction from the provincial government, the Integrated Illegal Gaming Enforcement Team (IIGET) was established. The expenditures required to fund the IIGET are provided by BCLC pursuant to a Sponsoring Agreement with the Province. IIGET is a specialized division of the Royal Canadian Mounted Police that works co-operatively with GPEB to provide a comprehensive and integrated approach to the investigation and enforcement of the *Criminal Code* of Canada as it relates to illegal gaming activities in British Columbia.

12. PAYMENTS TO GOVERNMENT OF CANADA

The Interprovincial Lottery Corporation (ILC) makes inflation-adjusted payments to the Government of Canada as a result of an agreement between the provincial governments and the Government of Canada on the withdrawal of the Government of Canada from the lottery field. The Corporation remits British Columbia's share of the above payments to ILC.

13. INTERPROVINCIAL LOTTERY CORPORATION EXPENSES AND INTERNET REVENUE

The Corporation's share of the ILC prize and ticket printing costs for national games is recognized as a direct expense. The Corporation's share of the ILC's interest income less operating expenses is included in interest and other expenses.

14. COMMITMENTS

The Corporation is committed to payments under operating leases for premises.

Minimum annual rental payments for the next five years are approximately as follows:

2009	$ 3,285
2010	3,099
2011	2,639
2012	1,033
2013	922

Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

15. CONTINGENCIES

The Corporation has been named a defendant in several lawsuits. In the opinion of management, these matters are without substantial merit and no provision has been made for them in the accounts.

The Corporation periodically enters into agreements with suppliers that include limited indemnification obligations. These guarantees are customary in the industry and typically require the Corporation to compensate the other party for certain damages and costs incurred as a result of third-party claims. The nature of these agreements prevents the Corporation from making a reasonable estimate of the maximum potential amount it could be required to pay its suppliers. Historically, the Corporation has not made any significant indemnification payments under such agreements and no amount has been accrued in the financial statements for these indemnification guarantees.

16. RELATED PARTY TRANSACTIONS

The Corporation is related to various other government agencies, ministries and Crown corporations. All transactions with these related parties are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

17. FINANCIAL INSTRUMENTS

The carrying values of cash, accounts receivable, prizes payable, accounts payable and accrued liabilities, and the payable to the Interprovincial Lottery Corporation approximate their fair value due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

Short-term investments, and bingo and casino cash floats are recorded at their fair value.

In management's opinion, the maximum credit risk exposure for all financial assets is the carrying amount of those assets.

18. SECTOR ACTIVITY INFORMATION

Year ended March 31, 2008

	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	$ 976,910	$ 1,322,123	$ 260,154	$ –	$ 2,559,187
Direct expenses:					
Prizes	542,790	–	104,269	–	647,059
Commissions	63,765	450,426	65,122	–	579,313
Ticket printing and bingo paper	15,245	–	1,796	–	17,041
	621,800	450,426	171,187	–	1,243,413
Revenue less direct expenses	355,110	871,697	88,967	–	1,315,774
Operating expenses:					
Administrative expenses	64,213	43,444	11,160	–	118,817
Amortization	15,199	40,945	8,764	–	64,908
Other expenses	2,006	1,031	405	–	3,442
Marketing Trust Account:					
Marketing Trust Account income	–	(13,703)	–	–	(13,703)
Marketing Trust Account expenditures	–	13,703	–	–	13,703
Net income from operations	273,692	786,277	68,638	–	1,128,607
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(360)	(1,110)	(130)	–	(1,600)
Goods and Services Tax expense	(11,310)	(23,402)	(5,280)	–	(39,992)
Net income	$ 262,022	$ 761,765	$ 63,228	$ 1,878	$ 1,088,893

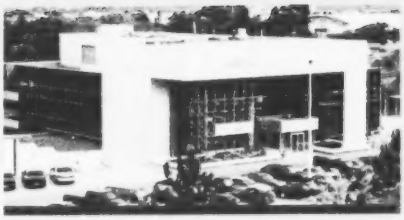
Year ended March 31, 2008, with comparative figures for 2007 *(in thousands of dollars)*

Year ended March 31, 2007

	Lottery	Casino	Bingo	Horse Racing	Consolidated
Revenue	$ 997,414	$ 1,208,891	$ 218,903	$ –	$ 2,425,208
Direct expenses:					
Prizes	543,501	–	107,345	–	650,846
Commissions	67,836	408,897	51,713	–	528,446
Ticket printing and bingo paper	17,575	–	2,011	–	19,586
	628,912	408,897	161,069	–	1,198,878
Revenue less direct expenses	368,502	799,994	57,834	–	1,226,330
Operating expenses:					
Administrative expenses	58,790	39,782	8,156	–	106,728
Amortization	13,777	43,285	6,962	–	64,024
Other expenses	1,161	462	963	–	2,586
Marketing Trust Account:					
Marketing Trust Account income	–	(9,715)	–	–	(9,715)
Marketing Trust Account expenditures	–	9,715	–	–	9,715
Net income from operations	294,774	716,465	41,753	–	1,052,992
Non-operating income (expense):					
Net horse racing betting fees	–	–	–	1,878	1,878
Integrated Illegal Gaming Enforcement Team expenses	(409)	(1,090)	(101)	–	(1,600)
Goods and Services Tax expense	(12,712)	(16,813)	(4,947)	–	(34,472)
Net income	$ 281,653	$ 698,562	$ 36,705	$ 1,878	$ 1,018,798

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

As a prescribed GST registrant, BCLC makes GST remittances to the federal government pursuant to the Games of Chance regulations of the *Excise Tax Act*. The Corporation's net tax for a reporting period is calculated using net tax attributable to both gaming and non-gaming activities. The net tax attributable to gaming activities results in a 10% tax burden on most taxable gaming expenditures incurred by the Corporation. The net tax attributable to non-gaming activities is calculated similar to any other GST registrant in Canada.



Head Office

74 West Seymour Street
Kamloops, BC V2C 1E2
Tel: (250) 828-5500
Fax: (250) 828-5631

Sales and Marketing Office

10760 Shellbridge Way
Richmond, BC V6X 3H1
Tel: (604) 270-0649
Fax: (604) 276-6424

bclc.com

Consumer Services

Tel: 1-866-815-0222

E-mail: consumerservices@bclc.com

Lottery Player Complaint Centre

Tel: 1-866-601-1818

BCLC's Service Plan 2007/08 – 2009/10 is available at bclc.com

British Columbia Partnership for Responsible Gambling:
www.bcresponsiblegambling.ca

Problem Gambling
Help Line
1-888-795-6111